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The new wars of religion

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Faith will unsettle politics everywhere this century. It will do so least when it is separated from the state: leader

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Politics this week

Nov 1st 2007
From The Economist print edition

AP

Cristina Fernández de Kirchner easily won **Argentina's** presidential election with 45% of the vote and a 22 percentage point lead over her nearest challenger. She will take over from her husband, Néstor Kirchner, on December 10th. See article

Canada's finance minister announced plans to cut taxes by C$60 billion ($63 billion) over the next five years, including a one percentage point reduction in the sales tax, to 5%. Some saw the mini-budget as preparation for a general election at which the minority Conservative government hopes to win a majority.

The United Nations General Assembly voted by 184 to 4 to urge the United States to lift its **trade embargo against Cuba**. George Bush recently said that the embargo would not be lifted while either Fidel Castro or his brother Raúl retained power.

Flooding triggered by a tropical storm killed at least 80 people on the island of **Hispaniola** and forced tens of thousands to flee their homes in south-eastern **Mexico**.

Paraguay's Supreme Court annulled a conviction for mutiny given to General Lino Oviedo, a popular former army commander who attempted a coup in 1996. The court's decision means the general can stand in a presidential election due in April.

FIFA, football's governing body, awarded the **2014 World Cup** to Brazil, which has won the trophy five times. Brazilians celebrated wildly. See article

Monastic defiance

For the first time since the violent suppression of mass pro-democracy demonstrations in **Myanmar** in September, protesting Buddhist monks returned to the streets. Several dozen marched through Pakokku, in central Myanmar. See article

The authorities in **China** announced that 774 people have so far been arrested as part of investigations into the manufacture and sale of substandard food and drugs. The State Council, or cabinet, approved a new food-safety law after a series of recent scandals.

Pakistan's Supreme Court restated its ruling that Nawaz Sharif, a former prime minister in exile in Saudi Arabia, could return to Pakistan. In defiance of the court's ruling, the government of General Pervez Musharraf immediately deported Mr Sharif when he tried to return in September.

Dozens of people died in violence in the **Swat valley** in Pakistan's North-West Frontier Province. Militants led by a pro-Taliban cleric, who is seeking to impose strict *sharia* law in Swat, battled 2,000 soldiers.

AFP

Around 25,000 poor people—mainly landless farmers—converged on Delhi after marching from various parts of **India** to demand land reform and protest against the loss of their land to industrial development. The government promised to set up a panel to tackle their grievances.

Held to account

A Spanish court handed down long prison sentences to three Muslims of north African origin convicted of murder in the **Madrid train bombings** in March

2004. Eighteen others were convicted of belonging to an Islamist terrorist cell or of being involved in the plot. See article

A bus bombing in **southern Russia** killed eight people and injured at least 50. The bomb, apparently placed under the floor of the bus, went off on a busy road in the carmaking city of Togliatti.

Reuters

Russia sought unprecedented curbs on foreign observers of its parliamentary election on December 2nd. It wants no more than 70 monitors sent by the Organisation of Security and Co-operation in Europe, down from 465 in December 2003.

The premier of Rhineland-Palatinate, Kurt Beck, was overwhelmingly confirmed as chairman of **Germany's** Social Democratic Party (SPD). Mr Beck, who is accused by some of shifting the party leftwards, is now likely to be the SPD candidate for chancellor at the next federal election. See article

Provocative talk

Israel's defence minister, Ehud Barak, said that Israel would respond to continued Palestinian rocket fire from the Gaza Strip with periodic fuel and electricity cuts, and gave warning that a large army incursion was drawing closer. But the Israeli attorney-general told Mr Barak to wait while he studied the legality of the sanctions, which have drawn criticism from human-rights groups and the UN.

Israel's prime minister, **Ehud Olmert**, revealed he had prostate cancer but said he would continue to run the country.

A conference in Libya that was intended to pave the way to peace in Sudan's blighted **Darfur** region petered out in disarray after a few days, largely because representatives of the rebel groups that most matter refused to turn up. See article

Somalia's hapless prime minister, Ali Mohamed Gedi, resigned after losing a power struggle with the president. He said he had survived five assassination attempts in three years at the helm. See article

The American commander in **Iraq**, General David Petraeus, said that al-Qaeda had been “significantly reduced” in the country. It was also noted that the number of deaths among American troops had dwindled in October and the number of Iraqi civilian deaths, though still very high, had also dropped sharply in the past six months. See article

Smoke and mirrors

In America horse-trading over the **budget** began in earnest, with George Bush promising to veto any bill that tied funding for defence to domestic appropriations he deemed excessive. Congress also began debating the Democrats' tax proposals, which include changing the structure of corporate tax. See article

Firefighters continued to tackle the remnants of wildfires in **southern California**. The 500,000 residents evacuated because of the conflagrations were allowed to return home. Seven people were killed by the fires and some 2,200 homes destroyed. See article

Democrats in **Iowa** followed the state's Republicans and set January 3rd as the date for caucuses to help choose the party's presidential nominee.

Karen Hughes stepped down from her post of overseeing public diplomacy efforts at the State Department. Ms Hughes, a close confidante of Mr Bush, endeavoured to improve relations with the Muslim world during her two years in the job. She admits that trying to turn around negative perceptions of America remains a “long-term challenge”.

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Business this week

Nov 1st 2007
From The Economist print edition

Stan O'Neal “decided to retire” as **Merrill Lynch's** chairman and chief executive. Merrill had made its first quarterly loss in six years, thanks to write-downs, mainly related to subprime mortgages, amounting to $8.4 billion. Mr O'Neal will depart with a package worth more than $160m, which does little to placate those who think Wall Street bosses should shoulder more responsibility for their firms' bad investments. See article

Some poor investment decisions were also made by Switzerland's big banks. UBS reported its first quarterly net loss in five years, of SFr830m ($712m), which had been flagged when the bank announced a SFr4 billion write-down stemming from losses on investments in America's subprime-mortgage market. **Credit Suisse's** quarterly net profit fell by 31%, compared with a year ago, as it took write-downs of SFr2.2 billion on mortgage securities and leveraged loans.

Still no resolution

The takeover battle for **Resolution**, a British life insurer, went one way, then another. **Friends Provident** was jettisoned as a potential partner (the two had struck a deal to merge) when Resolution's board recommended a rival bid from **Standard Life**. But that recommendation was withdrawn after **Pearl**, which has built a nearly 25% stake in Resolution, made a higher offer. The bids value Resolution at some £5 billion ($10 billion).

It emerged that **Cerberus Capital Management** had withdrawn its support from an $8 billion management-led buy-out of **Affiliated Computer Services**, unveiled last spring. The squeeze in credit markets was one factor that scuppered the deal.

The **London** and **Tokyo stock exchanges**, which signed a co-operation agreement last February, said they were launching a market for Asian start-up companies that would mimic the LSE's Alternative Investment Market. Based in Tokyo, the new exchange should be a boon for the TSE, which had its reputation tarnished by a series of technological mishaps two years ago.

Garmin, an American maker of satellite-navigation devices, offered *euro*2.3 billion ($3.3 billion) for **Tele Atlas**, a Dutch digital mapmaker. Garmin's offer topped a bid from **TomTom**, also from the Netherlands. Some analysts think the value of the sat-nav market will triple by 2010, underlined by Nokia's recent purchase of Navteq for $8.1 billion.

Google sky high

Google's share price surged past $700, less than a month after passing $600. Investors are excited about the internet-search company's plans for new mobile-phone and social-networking services.

Chrysler's boss, Robert Nardelli, hailed the ratification of a four-year contract by members of the **United Auto Workers** as “a major step forward”. The contract was tentatively agreed to on October 10th, but had faced strong opposition and was voted down in some factories. The UAW's final tally showed just 51% of workers in skilled trades had accepted the deal; among production, clerical and engineering workers the margin was much wider.

General Motors said it would build a $250m complex in Shanghai that will include a centre for research into **hybrid-fuel cars**. Although GM maintains an existing facility with its Chinese joint-venture partners, the new complex should give it tighter control over new clean-fuel technologies. GM plans to start selling dual-fuel vehicles next year in China, one of the world's biggest polluters.

Alcatel-Lucent announced another 4,000 job cuts, adding to the 12,500 it had already made public. The French-American telecoms-equipment company, a big provider of broadband apparatus, is reeling from a

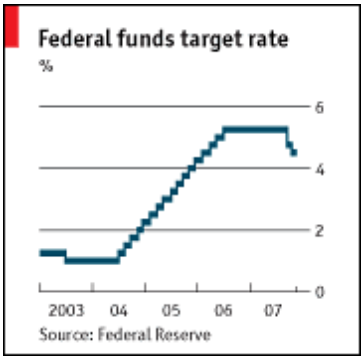
slowdown in sales, which it blames partly on a slump in the construction of homes in America.

A wine connoisseur filed a lawsuit against an auction house, claiming that several bottles he had bought as rare Bordeaux in 2005, and for which he had paid up to $33,000 each, were fake. Allegations about the **counterfeiting of vintage wines** have been fermenting for several months and prosecutors are investigating other accusations of vinous fraud.

A first estimate from the Commerce Department indicated that **America's GDP** increased by 3.9%, at an annual rate, in the third quarter. A surge in consumer spending offset a slump in home-building.

Far to fall?

America's Federal Reserve cut its key **interest rate** by a quarter of a percentage point, to 4.5%. The Fed has brought interest rates down to help stave off any economic fallout from the housing slowdown, but it gave warning that future cuts were not assured. See article



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KAL's cartoon

Nov 1st 2007
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Illustration by Kevin Kallaugher

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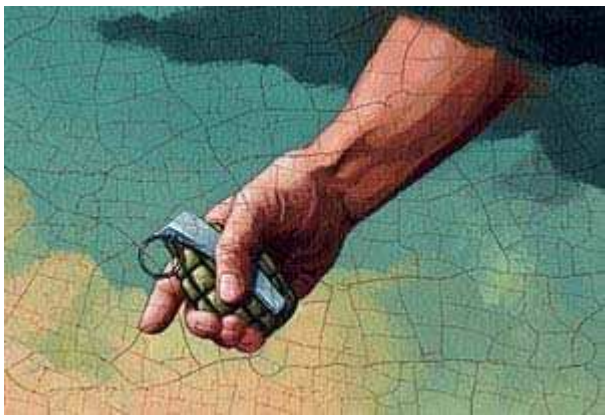
Faith and politics

The new wars of religion

Nov 1st 2007
From The Economist print edition

Faith will unsettle politics everywhere this century; it will do so least when it is separated from the state

Illustration by Jon Berkley



Get article background

A RELIGIOUS fanatic feels persecuted, goes overseas to fight for his God and then returns home to attempt a bloody act of terrorism. Next week as Britons celebrate the capture of Guy Fawkes, a Catholic jihadist, under the Houses of Parliament in 1605, they might reflect how dismally modern the Gunpowder Plot and Europe's wars of religion now seem.

Back in the 20th century, most Western politicians and intellectuals (and even some clerics) assumed religion was becoming marginal to public life; faith was largely treated as an irrelevance in foreign policy. Symptomatically, State Department diaries ignored Muslim holidays until the 1990s. In the 21st century, by contrast, religion is playing a central role. From Nigeria to Sri Lanka, from Chechnya to Baghdad, people have been slain in God's name; and money and volunteers have poured into these regions. Once again, one of the world's great religions has a bloody divide (this time it is Sunnis and Shias, not Catholics and Protestants). And once again zealotry seems all too relevant to foreign policy: America would surely not have invaded Iraq and Afghanistan (and be thinking so actively of striking Iran) had 19 young Muslims not attacked New York and Washington.

It does not stop there. Outside Western Europe, religion has forced itself dramatically into the public square. In 1960 John Kennedy pleaded with Americans to treat his Catholicism as irrelevant; now a born-again Christian sits in the White House and his most likely Democrat replacement wants voters to know she prays. An Islamist party rules once-secular Turkey; Hindu nationalists may return to power in India's next election; ever more children in Israel and Palestine are attending religious schools that tell them that God granted them the whole Holy Land. On present trends, China will become the world's biggest Christian country—and perhaps its biggest Muslim one too. President Mahmoud Ahmadinejad of Iran, not usually a reliable authority on current affairs, got it right in an open letter to George Bush: “Whether we like it or not,” he wrote, “the world is gravitating towards faith in the Almighty.”

Gunpowder, treason and plot

How frightening (or inspiring) is this prospect? As our special report explains, the idea that religion has re-emerged in public life is to some extent an illusion. It never really went away—certainly not to the extent that French politicians and American college professors imagined. Its new power is mostly the consequence of two changes. The first is the failure of secular creeds: religion's political comeback

started during the 1970s, when faith in government everywhere was crumbling. Second, although some theocracies survive in the Islamic world, religion has returned to the stage as a much more democratic, individualistic affair: a bottom-up marketing success, surprisingly in tune with globalisation. Secularism was not as modern as many intellectuals imagined, but pluralism is. Free up religion and ardent believers and ardent atheists both do well.

From a classical liberal point of view, this multiplicity of sects is a good thing. Freedom of conscience is an axiom of liberal thought. If man is a theotropic beast, inclined to believe in a hereafter, it is surely better that he chooses his faith, rather than follows the one his government orders. But that makes religion a complicated force to deal with. In domestic policy, adults who choose to become Pentecostals, Orthodox Jews or Muslim fundamentalists are far less likely to forget those beliefs when it comes to the ballot box. The culture wars that America has grown used to may become a global phenomenon; expect fierce battles about science, in particular.

Abroad, yes, there is a chance of full-blown war of religion between states. A conflagration between Iran and Israel would, alas, be seen as a faith-based conflict by millions; so would war between India and Pakistan. But compared with Guy Fawkes's time, when wars sprang from monarchs throwing their military might at others of different faiths, religious conflict today is the result as much of popular will as of state sponsorship: it is bottom-up, driven by volunteers not conscripts, their activities blessed by rogue preachers not popes, their fury mostly directed at apostates not competing civilisations. Ironically, America, the model for much choice-based religion, has often seemed stuck in the secular era, declaring war on state-sponsored terror, only to discover the main weapon of militant Islamism is often the ballot box.

Start praying now

For politicians doomed to deal with religion, two lessons stand out—one principled, the other pragmatic. The principle is that church and state are best kept separate. Subsidised religion has seldom made sense for either state or church: witness Europe's empty pews. In some cases, separating the two is easy. In private, people can choose to believe that the world was created exactly 6,003 years ago, but teachers should not be allowed to teach children creationism as science. The state should not tell people whether they can wear headscarves, let alone ban “unauthorised” reincarnation (as China did recently in Tibet). But the line is not always easy to draw: this paper disapproves of publicly financed faith schools, especially ones that discriminate against non-believers, but it also believes in giving poor parents more choice—and in American cities the main alternative to public schools is Catholic ones.

The religion that invades the public square most overtly is Islam: it affords secular power the least respect, teaching that the primary unit of society is the *umma*, the international brotherhood of believers. At its most theocratic, it forces people to follow *sharia* laws, sometimes with barbaric penalties. Yet Islam can clearly co-exist with a modern liberal state. For all its failures in the Arab world, democracy has taken root in Malaysia and Indonesia. America's Muslims worship freely and respect its secular constitution—a success the United States should make more of in its foreign policy. But the test case will be Turkey, a secular state currently ruled by Islamists whose progress is being watched with nervous attention.

The pragmatic lesson concerns those wars of religion. Partly because of their obsession with keeping church and state separate, Western powers (and religious leaders) have been too reluctant to look for faith-driven solutions to religious conflicts. Many of those struggles, notably the Middle East, began as secular tribal disputes. Now that they have a religious component they are much harder to solve: if God granted you the West Bank, you are less likely to trade it. “Inter-faith dialogue” may sound a wishy-washy concept; but it is a more realistic idea than presenting a secular peace to competing faiths without the backing of religious leaders. Priests and pastors condemned violence from both sides in Northern Ireland; that has not really happened in the Holy Land.

Atheists and agnostics hate the fact, but these days religion is an inescapable part of politics. Although it is not the state's business “to make windows into men's souls”, it is part of the government's job to prevent grievances from stirring into bloodshed, and fanatics from guiding policy. But it isn't easy. Catholics did not get back into Parliament for 224 years after the Gunpowder Plot. Unless politicians learn to take account of religious feelings and to draw a firm line between church and state, the new wars of religion may prove as intractable.

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Scotland

Tax and mend

Nov 1st 2007
From The Economist print edition

Giving the Scottish Parliament the power to tax as well as spend would please both the Scots and the English

ReportDigital

Get article background

SINCE May, when the Scots gave more of their votes to a party bent on independence than to any other, all ears have been waiting for the sound of the United Kingdom being torn apart. Many Britons now think they have heard it.

Alex Salmond, the leader of the winning Scottish National Party and therefore first minister in the devolved Scottish government, is threatening warfare with Westminster over public spending and vowing to hold a referendum on independence before the end of his term. The Conservatives, once known north of the border as the Unionist Party, are taking up a theme that seems to have increasing importance to English voters. Sir Malcolm Rifkind, a prominent Tory MP and a Scot, proposes to forbid Scotland's MPs from voting on English legislation at Westminster (see article).

Behind the growling lies the unfinished business of Labour's 1998 decision to set up a parliament in Edinburgh with powers over all manner of Scottish domestic affairs from education, farming and health to justice, transport and social services. Most of the money at the Scottish Parliament's disposal, though, comes from the United Kingdom's Treasury, which distributes it according to a formula that at present favours the Scots: identifiable public expenditure per person in Scotland is about £1,500 ($3,100) higher than it is in England. But expenditure is now set to rise more slowly than in England. This makes Mr Salmond, who has big spending plans, unhappy.

He is not alone. South of the border, English voters have started to notice that, though they continue to subsidise Scotland, they no longer have any say—through their MPs—over most of its affairs, even though Scottish MPs can, and sometimes do, provide the parliamentary majority for controversial measures that apply only in England. They notice, too, that Edinburgh has abolished tuition fees for Scottish university students, brought in free personal care for the elderly and soon, if Mr Salmond gets his way (read, money), will provide free prescriptions and free school meals.

Of the two underlying English grievances, money and power, the latter is the more fundamental and the harder to solve. The “West Lothian question”, the anomaly that gives the 59 Scottish MPs at Westminster powers that are unavailable to their 529 English counterparts, is patently unfair. Against that, the British system is riddled with such anomalies, the English have generally tolerated this one and it is not clear how to solve it painlessly. For instance, the increasingly popular idea of giving England its own national parliament like the Scottish (and Welsh and Northern Irish ones) would add another costly layer of

government.

Sir Malcolm's plan is an attempt at a compromise: he suggests a Grand Committee of all English MPs at Westminster to vote on English matters. But creating two categories of MPs would in practice still be a fairly dramatic solution. It might well leave Scottish MPs with little to do but attend to defence and macroeconomic issues. It would make it extremely difficult to have a Scottish prime minister or chancellor of the exchequer (as at present). And that could help propel all Scottish MPs out of Westminster, and thus Scotland out of the United Kingdom. Is there a better scheme to try first?

No representation without taxation

The answer surely is to look at the money. Letting the Scots raise the cash they want to spend would not solve the West Lothian question, but it would reduce the grievance about taxes and spending that feeds the growing dissatisfaction with the arrangement south of the border. It would both end the squabbles over expenditure formulas and also allow the Scots to spend their own money as they wish. That is a reasonable desire: implicit in the logic of devolved government is the idea of different priorities, in spending and taxation, in different parts of the same country, so long as everyone enjoys minimum standards.

Critics of devolution see the granting of tax powers as one more step towards separation, and Scottish independence is certainly a possible outcome. But if the Scots wish to separate, so be it: no one should seek to keep them in a union they reject. At present, though, it seems that most do not want to leave. Although the popular Mr Salmond is seen as a doughty national champion, polling by the Scottish Centre for Social Research suggests that only 23% of Scots favour independence. By contrast, 55% would like to see Scotland given tax powers.

If this does not suggest the imminent rupture of the union, neither does it suggest contentment. The single measure that would do most to quiet the legitimate grumbling on both sides of the border would be letting Scotland tax itself. It might also foster better government—no bad thing in a country already over-administered, over-represented and over-financed.

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Argentina

The coronation of Queen Cristina

Nov 1st 2007
From The Economist print edition

A different Kirchner offers a chance to consolidate recovery

Reuters

Get article background

WAS it a gallant gesture from a doting husband? Was it a pre-arranged dynastic compact, enabling him to return in 2011? Or was it that Néstor Kirchner knew that Argentina requires policies different from those he has adopted for the past four years? Whatever the reason, since Mr Kirchner announced in July that he was standing aside in favour of his wife, there had been little doubt that Cristina Fernández de Kirchner would become the first woman to be elected to her country's top job. Not so much a contest, the election on October 28th turned into the coronation of “Queen Cristina”, dubbed thus because of her regal manner (see article).

There were both good and bad reasons for her victory. Back in 2001-02, Argentina suffered a horrific economic, financial, social and political collapse, involving a massive devaluation and the world's biggest sovereign debt default. Mr Kirchner has presided over a vigorous recovery in which poverty and unemployment have roughly halved. Many Argentines give him the credit for this—even though over the past two years he has recklessly allowed the economy to overheat. In other ways, too, Ms Fernández, the candidate, benefited unfairly from being Mrs Kirchner, the first lady: she made liberal use of the presidential plane, for example. Still, Ms Fernández's mandate is clear. What she intends to do with it, however, is not.

Several things need to change if Argentina's recovery is to be sustained. Understandably, Mr Kirchner gave absolute priority to economic growth. When inflation started to rise, his government tried to smother it by controlling prices and fiddling the numbers. Inflation is hitting the incomes of the poor. Many economists believe it is roughly double the official rate of 9%. Meanwhile, Mr Kirchner's freeze on most energy tariffs is a wasteful subsidy that has contributed to occasional black-outs. Argentina also needs to engage with the outside world again, beyond Mr Kirchner's friendship with Venezuela's Hugo Chávez, who has bought some $5 billion in Argentine government bonds. Queen Cristina's kingdom needs a range of friendly foreign investors to sustain growth.

Ms Fernández has dropped hints that she understands some of these issues rather better than her husband. She has travelled widely in the past few months. She seems likely to try to improve Argentina's relations with the United States—especially if Hillary Clinton, with whom she is sometimes compared, is elected there—and with Europe.

A looming encounter with reality

But her presidency will turn on whether or not she secures a soft landing for the economy, controlling inflation and steering growth to a sustainable 4-5% a year. There is still time to do this gradually. But some of the measures required—reining in public spending, raising interest rates and energy tariffs—will not be popular. Her failure during the campaign to prepare Argentines for what lies ahead will not help her.

In victory, Ms Fernández called for an end to hatred and confrontation. She could start by recognising that not everything that happened in the 1990s, when Carlos Menem privatised and modernised Argentina's economy, was bad. Mr Kirchner's attempt to undo Mr Menem's work by setting up new state companies looks like a waste of public money. More open politics would be welcome, too: Mr Kirchner's secretive government has incubated several corruption scandals.

Ms Fernández is basking in popularity. But to retain the voters' approbation, she needs sustained economic progress, and that means taking some unpopular decisions quickly. The new queen clearly has the support of her people. The question is whether she has the courage.

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Taxes in America

No more than a B-

Nov 1st 2007
From The Economist print edition

With one exception, the Democrats' first stab at tax reform is disappointing

Getty Images

Get article background

“THE mother of all tax reforms” was how Charles Rangel, the Democrats' top tax-writer in Congress, described his new plans for revamping America's tax code. “The mother of all tax hikes” was the response from many Republicans. Both the creator and the critics are wrong. Mr Rangel's proposal is “revenue-neutral”, raising taxes in some places while cutting them elsewhere. But it is not a bold reform; more a tweak than a transformation of America's absurdly complex tax code. If Mr Rangel's vision shapes the tax agenda after 2008 (not implausible, since he is chairman of the House Ways and Means Committee and is also close to Hillary Clinton, whom he encouraged to run for the Senate in 2000), it will represent a missed opportunity.

That is because America's next president and Congress will have the best chance for reform since Ronald Reagan took an axe to the tax code in 1986. Two “great unavoidables” will force change. One is the expiry of Mr Bush's tax cuts in 2010. The other impetus comes from the rise of the Alternative Minimum Tax (AMT), a levy introduced in 1969 to ensure that wealthy Americans could not escape taxation by making artful use of the code's myriad deductions. Since the AMT is not indexed for inflation, its reach has extended ever farther down the income ladder, requiring a series of temporary fixes. Without another one, a quarter of all taxpayers will pay AMT on their 2007 income. This will not only raise their dues, but will also force them to calculate their tax bill twice, since Americans must pay whichever is the higher assessment of their tax burden under either the standard code or the AMT one.

Mr Rangel's plan tries to deal with the second great unavoidable (he says nothing about what to do with the Bush tax cuts, a serious omission). He wants to eliminate the AMT, at a cost of some $800 billion over the next decade, and pay for this by levying a surcharge on rich Americans, particularly those earning over $500,000 a year. Getting rid of the AMT will indeed make the tax code simpler. But raising the top marginal rate will blunt incentives. If the Bush tax cuts are allowed to expire, America's top rate of income tax could rise to almost 45%, up from 35% today, with state taxes on top of that.

To what end? Mr Rangel argues that his reforms will make the code fairer by raising taxes on the wealthiest while cutting them for everyone else. His plan includes some sensible proposals for America's poorest taxpayers, but it is mostly concerned with shifting the tax burden from the affluent to the very rich. That is not the kind of redistribution for which it is worth inflicting so much damage on incentives at the top end.

With a bit more ambition, Mr Rangel could have suggested reforms that make the tax code more progressive and, at the same time, simpler. America's personal income tax code is riddled with

deductions—from the subtraction of mortgage interest to countless incentives for savings. Such deductions, which are worth hundreds of billions of dollars a year, narrow the tax base and distort behaviour, and their benefits flow disproportionately to the most affluent taxpayers. Capping these deductions, or getting rid of some altogether, would be a far better way to pay for AMT repeal.

Good in only one part

Mr Rangel's timidity is all the more disappointing because he does propose just such a base-broadening reform to America's corporate income tax. Much as Reagan slashed corporate tax rates and removed deductions in 1986, Mr Rangel wants to cut America's top rate of corporate income tax from 35% (about the highest in the OECD) to 30.5%. The revenue (almost $400 billion over a decade) would be recouped by getting rid of several deductions, including a distorting tax credit for domestic manufacturers. Given that Democrats have long refused to consider cutting corporate income tax, for fear it would be construed as handing tax cuts to the rich, Mr Rangel's ideas mark a clear step forward. Too bad he couldn't muster the courage to do the same in the rest of the bill.

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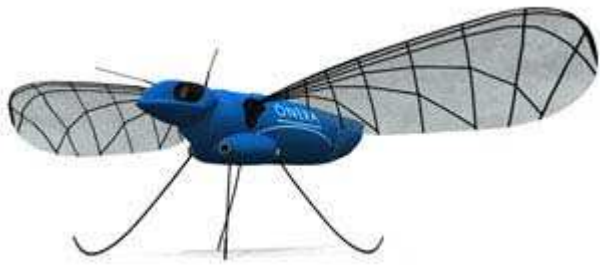
Robots

Rise of the machines

Nov 1st 2007
From The Economist print edition

Robots are great, but what happens when they start spying on you?

Onera



EVER since Karol Capek, a Czech playwright, used the term in the early 1920s to describe artificial people, robots have usually appeared in popular culture with human characteristics and made by big companies. There was the Model B-9 Environmental Control Robot in “Lost in Space”; Rosie, the robot maid in “The Jetsons”; C-3PO in “Star Wars”; and the future Governor Schwarzenegger as “The Terminator”.

In the real world, however, things took a different turn. The number of robots has grown rapidly, but they are not humanoid. After the first Unimate robot-arm began work on a General Motors assembly line in 1961, industrial robots of all shapes and sizes invaded the factory floor: there are now about 1m of them worldwide, around half in Asia. There are also hordes of service robots, vacuuming floors, trimming the grass on golf courses and soon—with luck—doing the ironing. Specialist robots can creep inside a patient's chest cavity to attach electrodes to a pacemaker or along sewer pipes looking for cracks. Robots have also joined the armed forces: some 4,000 are said to be in action in Iraq and Afghanistan doing things such as clearing mines or, as unmanned aerial vehicles (UAVs), flying reconnaissance and even combat missions.

Many of today's robots still have a human controller somewhere, but they are gaining more and more autonomy. By 2015, America's armed forces want about half their armed vehicles to be robotised. To further that aim, this weekend the Defence Advanced Research Projects Agency is holding a contest for robot vehicles capable of operating on their own in busy cities (see article).

What is intriguing about this competition is the sort of teams taking part. They are mostly university groups, small companies and enthusiasts. Big corporations are acting mainly as sponsors. A similar sort of thing can be seen in the development of UAVs for civilian use. Indeed, so cheap and so easily available has the technology become that even hobbyists are making UAVs (see article). The culture of hacking is spreading from software to ever more elaborate and capable hardware.

A robot for granny

With luck there will be many more robotic devices to do not just dirty and dangerous jobs, but also tiresome but necessary ones, such as fetching and carrying for bedridden people. Robots can do some of these jobs better and more cheaply than humans can. But the technology's spread also brings worries.

Aviation officials have rightly expressed safety concerns about the growing use of civilian UAVs. Some new rules may be required to deal with robots as they become more widespread and gain more autonomy. UAVs that fly in the same areas as manned aircraft should have the ability to avoid collisions,

for instance. The bigger worries are to do with privacy: some of these flying machines will be so small that they will be able to fly inside buildings, filming everything they see; heaven knows what paparazzi will do with them.

Any new regulations will need to be considered carefully, in order not to stifle innovation. But common sense and existing laws may not always be enough to ensure that robots and people live happily together.

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On California's wildfires, Al Gore, French law, Cornish, Armenia and Turkey, free speech, banks

Nov 1st 2007
From The Economist print edition

The Economist, 25 St James's Street, London SW1A 1HG
FAX: 020 7839 2968 E-MAIL: letters@economist.com

A burning issue

SIR – You assert that the response to the wildfire season in California this year "shows how the authorities have learned from Hurricane Katrina" ("The fires of October", October 27th). However, there are several reasons to think that this is not the case. Apart from the obvious political aspects, and the fact that Katrina had a substantially bigger impact on both the number of people and size of area affected, California is unique in America in terms of the number of "disasters" that occur within the state each year—literally thousands of wildfires, as well as small earthquakes, mudslides, etc. These usually cross jurisdictional boundaries, forcing federal, state, county and local agencies to work together and develop mutual-aid agreements, evacuation and response plans and assorted written understandings that address everything from radio frequencies used during emergencies to financial reimbursements. California has had decades and thousands of opportunities to refine these interactions: the various agencies of Louisiana, Mississippi and Alabama have not.

In the 1970s California created an Incident Command System primarily to tackle wildfires. The system is devised to take account of the specifics of a particular event rather than the specifics of a particular agency. The Federal Emergency Management Agency uses a similar system, but has had neither the time nor the number of incidents to perfect its use. The best thing FEMA could have done when arriving in California recently was take notes.

John Southern-Weber
Chicago

And the award went to...

SIR – Lexington notes that Al Gore has won an Oscar as well as the Nobel peace prize (October 20th). Actually, the two Academy Awards given to the film "An Inconvenient Truth" were not bestowed on Mr Gore. Instead, they went to the picture's director, Davis Guggenheim, for best documentary feature, and to Melissa Etheridge, for best song.

Michael Dempsey
Los Angeles

SIR – So a poll shows that "nearly half of Republicans think the environment is in good shape". Perhaps it is time to change the symbol of the Republican Party from the elephant to the ostrich.

John LaFrance
Collingswood, New Jersey

French law

SIR – Your article looking at policies on detention without trial states that "some British officials have been looking with envy at civil-law countries like France, where the criminal-justice system allows detention for months, even years, after a suspect has been formally 'placed under investigation', but not yet charged. Police can also continue to interrogate suspects during that time" ("The stuff of nightmares", October 6th).

Actually, this is not so in France. Under French criminal procedure the police may detain and interrogate

someone for a maximum of six days, after which he must be charged or released. If charged he can be detained pending trial, and during that time he can continue to be interrogated by the examining magistrate in the presence of his lawyer, but not by the police. The suggestion that, in France, the police may interrogate “for months, even years” someone who is detained, but not yet charged, is plainly false.

Roger Errera
Paris

Past times

SIR – I was amazed to learn on a visit to Cornwall about 30 years ago that Cornish nationalists were campaigning for a revival of the Cornish language. I was even more amazed to read that they have succeeded (“Back from the dead”, October 20th). Reviving a dead language must be about the most useless activity for humanity to engage in.

Rodney Angove
Mountain View, California

Armenia and Turkey

SIR – You believe that if the American Congress approves a resolution recognising as “genocide” the slaughter of Armenians by Ottoman Turks in 1915, it would jeopardise Turkey's path towards the West and alienate a vital ally (“A resolution too far”, October 20th). After the second world war West Germany was also a vital ally and keeping it on side was crucial. Nevertheless, West Germany was encouraged to recognise the Holocaust and compensate the victims of Nazi crimes. It did so and evolved into a democratic society.

Surely the victims of the Ottoman Turks have the same rights as the victims of Nazi Germany. Double standards are always unfair. Encouraging Turkey to recognise its past mistakes can only benefit Turkish society.

Andreas Lianeris
Athens

SIR – Did you oppose resolutions condemning the Holocaust because German participation was needed in NATO? Were you against resolutions condemning Japanese war crimes because America needed bases in Japan? Opposition to the present resolution because America needs access to Turkish bases to fight the Iraq war is no less craven.

David Book
Monterey, California

SIR – It is wrong to imply that because only 3% of Armenians listed the genocide as a priority in a poll it is not of significant concern to the Armenian people (“Unearthing the past, endangering the future”, October 20th). Given high inflation and unemployment, the people of Armenia may well be more worried about securing their daily bread, but I can attest that the Armenian genocide is a fundamental part of national and individual identity.

Arman Satchyan
Los Angeles

Words of wisdom

SIR – Barring libel, prejudicial comment before trial and so-called hate speech, free speech is universally considered a good thing, and you make a splendid case for spreading it far and wide (“The tongue twisters”, October 13th). But freedom is a funny thing. The freer the speech, the cheaper it becomes. Put differently, the less free it is the more courage and cunning is required to speak out, so there is less blabber.

When speech is restricted, every single word from a poet, writer, or philosopher counts. On occasion it has the force of thunder. Many from behind the iron curtain of communism will thus remember the good old times, when free speech was but a dream. Back then, speaking was an art. And so was listening.

Ranko Bon
Motovun, Croatia

Tough luck

SIR – Regarding the moral of the story for those financial institutions that have been battered by the credit-market crisis, it is surely poetic justice that Northern Rock and others got a taste of their own medicine ("Lessons of the fall", October 20th). I believe it was Robert Frost who once said that a bank is a place where they lend you an umbrella in fair weather and ask for it back when it starts to rain.

S. Viswanathan
Bangalore, India

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Economist.com BRIEFINGS

Ethiopia

A brittle Western ally in the Horn of Africa

Nov 1st 2007 | ADDIS ABABA, ARBA MINCH AND LALIBELA
From The Economist print edition

AFP

While things are getting better in much of Africa, Ethiopia risks getting left behind

Get article background

AS AMERICA surveys the map of eastern Africa, it finds little to take comfort from. Somalia is in anarchy, riven by competing warlords and a haven for Islamist militants. Sudan is involved in the bloody suppression of blacks in its western region, Darfur. Both countries are deaf to outside complaints and seem chronically unstable. America is thinking of putting Eritrea, briefly a beacon of hope after it split from Ethiopia in 1993, on its list of countries that sponsor terrorism. But between that grim trio stands Ethiopia, America's hope.

This ancient country has become an essential ally of America in the “war on terror”. Last year Ethiopia invaded Somalia in support of a UN-backed transitional federal government, which had been threatened with *jihad* by the Union of Islamic Courts (UIC) that had taken over Mogadishu, the capital. The Americans joined in, giving vital intelligence, to catch al-Qaeda people whom the UIC was sheltering. These men, it believed, were responsible for the bombings of the American embassies in Kenya and Tanzania in 1998, killing more than 220 people.

The West and Ethiopia are co-operating closely against the Islamist threat in the Horn of Africa, which threatens the coast of Kenya and Tanzania as well. It is alleged that Ethiopia is a destination for prisoners interrogated under the CIA's “extraordinary rendition” programme. Certainly the Bush administration has been unstinting in its praise of Meles Zenawi, the prime minister. It has also vilified Ethiopia's neighbour and mortal enemy, Eritrea, which it accuses, among other things, of arming and funding the Somali Islamists.

Mr Zenawi won the West's friendship, too, for his efforts to tackle Ethiopia's deep poverty. These have met with some success—so much so that Tony Blair has put Mr Zenawi in the vanguard of an “African Renaissance”. But Ethiopia's upward track as development poster-child and dependable ally was rudely interrupted in 2005. That year's presidential and parliamentary elections were marred by mass killings on the streets of the capital. Police fired on opposition supporters and others who were protesting against what they claimed were rigged elections. Tens of thousands, including journalists and NGO workers as well as opposition activists, were rounded up in a general dragnet; many spent weeks, or months, in prison without charge. Opposition leaders were accused of hugely inflated crimes, such as high treason and genocide. Seventy-one of them were freed only last summer, after having to sign a letter admitting their part in inciting violent protests.

These events shattered the West's cosy image of the modernising, progressive Mr Zenawi. Appalled Western governments abruptly switched off direct financial support to the Ethiopian government, though

aid has been resumed through indirect channels. And an anti-Zenawi lobby, largely funded by the big Ethiopian diaspora in America, now issues a stream of anti-government criticism from the United States. A few weeks ago the House of Representatives passed a bill condemning Ethiopia's human-rights record and pledging money to help opposition politics. Though it stands almost no chance of becoming law, it shows that Ethiopia is now a subject of fierce controversy.

On six cents a day

Ethiopia likes to do things differently. In September it started celebrating the new millennium (see picture above), more than seven years after everybody else. The country has been out of step in this respect since 1582: while the rest of the Christian world changed to the revised Gregorian calendar, Ethiopia stuck to the Julian. It also still keeps its own time, measured in 12-hour cycles rather than 24-hour ones.

Uniquely in Africa, Ethiopia was never really colonised by Europeans. But its singular history has been a curse as much as a blessing. As the rest of Africa decolonised and modernised, albeit fitfully, after the second world war, Ethiopia remained stuck fast in a feudal fantasy presided over by a diminutive emperor, Haile Selassie. He was deposed only in 1974, by which time the modern world had largely passed Ethiopia by and the country had become known for poverty and famine. It still is.

Ethiopia was further damaged by the committee of military officers, known as the Derg, that overthrew the emperor. That regime degenerated into a “red terror” of gulags and summary executions; it also lost an expensive, wasteful war with Tigrayan and Eritrean separatists over what would become, in 1993, the new country of Eritrea. The Derg produced the dreadful famines of 1984-85, the first to be alleviated mainly by the efforts of Bob Geldof and a phalanx of rock stars.

Since the early 1990s, however, Ethiopia has recovered somewhat under Mr Zenawi. Signs of that are evident on the big, pristine campus of the University of Arba Minch, more than 500km (311 miles) south of Ethiopia's capital, Addis Ababa. The university's president, Tarekegn Tadesse, has welcomed 8,000 students this term, a huge number for an obscure provincial town of 50,000-odd people. The crowd of freshmen, he says, testifies to the government's rapid expansion of tertiary education; in the case of Arba Minch, enrolment has increased fourfold in seven years.

It is an inspiring story. The new university buildings springing up all over the south are tangible evidence that the aid and development money pumped into Ethiopia reaches the people it is meant to. Roads are clearly being built, funded largely by the Chinese; schools and water-treatment plants are being opened. And there are few complaints of corruption, a fact that continues to make Ethiopia popular with foreign donors.

Some of the results are encouraging, too. Infant mortality is said to have dropped from 141 per 1,000 live births in 2000 to 123 per 1,000 in 2005; over 70% of children are now in school, and access to clean water has more than doubled in ten years. Furthermore, the government can point to the rapid expansion of a few sectors in what is still mostly an agricultural economy. The great volcanic lakes of the Rift Valley south of the capital are now ringed by vast flower farms, mainly exporting to Europe. Flowers earn the country about $88m in exports annually, creating some 50,000 jobs in the past few years.

Yet despite this, after almost a decade of well-intentioned development policies, Ethiopians remain mired in the most wretched poverty. Officially, about 80% of them live on less than $2 a day. Often it is a lot less than that. An area like Sidama, in the south, looks green, tropical and improbably fertile, but existence there can be precarious. One foreign charity, Action Contre la Faim, recently found that the average cash income for households in one area was six cents a day. Shocked researchers concluded that the depth of poverty there was “far beyond what had previously been thought”.

Visiting the nearby villages confirms these cold statistics. In Garbicho Lela, high up in the hills, a nurse estimates that 13% of children are severely malnourished. The one shop in the village betrays the low level of economic activity; on the weekly market day, when over 500 people will walk for hours from the surrounding hill-villages to sell a few things, the shop will do only about 200 birrs ($23) of business. On an average day, it sells two Pepsis. After three years of good rains, aid workers reckon that the risk of severe food shortages has, for the moment, receded. But so marginal are the reserves of food and money here that one bad season could still spell disaster.

The fact is that for all the aid money and Chinese loans coming in, Ethiopia's economy is neither growing fast enough nor producing enough jobs. The number of jobs created by flowers is insignificant beside an increase in population of about 2m a year, one of the fastest rates in Africa. Since every mother has about seven children, it is conceivable that Ethiopia, with 75m-plus people today, could overtake Nigeria (now 140m-strong) as Africa's most populous country by mid-century. Just to stand still, let alone make inroads into poverty, the country must produce hundreds of thousands of jobs a year.

It is hard to see where they will come from. The government claims that the economy has been growing at an impressive 10% a year since 2003-04, but the real figure is probably more like 5-6%, which is little more than the average for sub-Saharan Africa. And even that modestly improved rate, with a small building boom in Addis Ababa, for instance, has led to the overheating of the economy, with inflation moving up to 19% earlier this year before the government took remedial action.

The reasons for this economic crawl are not hard to find. Beyond the government-directed state, funded substantially by foreign aid, there is—almost uniquely in Africa—virtually no private-sector business at all. The IMF estimates that in 2005-06 the share of private investment in the country was just 11%, nearly unchanged since Mr Zenawi took over in the early 1990s. That is partly a reflection of the fact that, despite some privatisation since the centralised Marxist days of the Derg, large areas of the economy remain government monopolies, closed off to private business.

Jobs for the boys

This is where Ethiopia misses out badly. Take telecoms. While the rest of Africa has been virtually transformed in just a few years by a revolution in mobile telephony, Ethiopia stumbles along with its inept and useless government-run services. Everywhere else, a plethora of South African, home-grown and European providers has leapt into the market to provide Africans with an extraordinary array of cheaper and more efficient services, now used even by the poorest of farmers, for instance, to check spot prices for agricultural goods in markets miles away. And the mobile-phone revolution has created thousands of new livelihoods; at times it seems as if every boy on a street corner is hawking a top-up card. Not in Ethiopia.

It is the same story in financial services, where, despite the growth of some smaller private banks, no foreign banks are allowed. Micro-finance schemes have expanded exponentially, but it remains almost impossible to find start-up loans for small or medium businesses.

AP

Patrolling in Somalia

There is no official unemployment rate, but youth unemployment, some experts reckon, may be as high as 70%. All those graduates coming out of state-run universities will find it very hard to get jobs. The mood of the young is often restless and despairing; many dream of moving abroad. It was this mood of resentment that the opposition tapped into in 2005, and the capital's maybe 300,000 unemployed young men proved a combustible force on the streets. The ruling party, the Ethiopian People's Revolutionary Democratic Front (EPRDF), underestimated the degree of disillusion with its policies, and thus overreacted when the opposition polled much better than expected.

Unless the private sector is allowed to create jobs, the country's problems will continue to mount and the gains of development may be squandered. Sooner rather than later, 2m more people a year will overwhelm a state that is trying to provide most of the jobs itself.

The fractious tribes

Economic failings are Ethiopia's biggest long-term challenge; but its worst short-term problems are political. Just as the government is slowing the pace of economic expansion for fear that individuals may accumulate wealth and independence, so it is failing to move fast enough from a one-party state to a modern, pluralist democracy. Again, the reason may be that it is afraid to.

The difficulties stem partly from the country's ethnic make-up. Mr Zenawi and the ruling elite are Tigrayans, from the north, a group that is only about 7% of the population. The Oromos, mainly in the centre and south, comprise 40% of the population and provide most of the country's food; but they feel excluded from its economic gains. The Amharas, comprising about 22%, are traditionally Ethiopia's educated ruling class, providing the leadership both of the Derg and of Haile Selassie's empire. The main opposition party in 2005, the Coalition for Unity and Democracy (CUD), was largely Amharic; they resent the ascendancy of the Tigrayans. And in the south-east Ogaden region are Muslim Somalis, who have more in common with neighbouring Somalia than with the remote Tigrayans.

At one time or another, most of these ethnic groups have pursued secessionist ambitions at the expense of a greater Ethiopia. The government, to its credit, must have thought that it had drawn much of the poison of ethnic competition by introducing a new federal constitution in 1994, with many powers devolved to the regions, and by accepting the independence of Eritrea in 1993.

But recent events have reignited the threat of ethnic, and thus political, instability. The turmoil in Somalia has led to a reawakening of the Ogaden National Liberation Front, which in April killed 74 workers, including nine Chinese, at an oil-exploration camp; the week before last it claimed to have killed 250 government soldiers in a gun battle. Some of its leaders want to be part of a greater Islamist Somalia, and are probably being helped by the Islamist militias there. The Oromo Liberation Front (OLF) also continues to be active; though its military activities are disavowed by most Oromos, many sympathise with the broad aim of getting a better deal for Oromia. The CUD is leading the battle across the Atlantic against Mr Zenawi's rule, and Eritrea has tried to stoke each uprising, supplying arms to the Oromo rebels and even playing host to its leaders in Asmara, the Eritrean capital.

Unfortunately, despite all the talk of ethnic federalism, the government has chosen to crack down severely on what it sees as direct threats to Ethiopia's integrity. This, in turn, sparks more opposition.

The Ethiopian army has made it increasingly difficult to get into the Ogaden region, virtually one-fifth of the country; even NGOs such as Médecins Sans Frontières have been struggling to provide help there. Oromo leaders complain of continuing discrimination against them; one of them estimates that as many as 10,000 Oromo sympathisers have, over the years, been rounded up and put in prisons across the country. Hundreds of those were university and school teachers arrested for giving civic-education classes that stressed Oromo issues—inciting protests, claimed the government.

Bulcha Demeksa, an MP and leader of a minority Oromo party, the Oromo Federalist Democratic Movement, complains that in the past three months thousands more Oromos, many of them his own supporters, have been thrown into prison. He says that the government wants to extinguish any independent opposition outside the government-sponsored official Oromo party, the Oromo People's Democratic Organisation (OPDO). Many Oromos claim it is impossible to get state jobs in Oromia, such as teaching, unless they join the OPDO; farmers complain that they do not get fertiliser unless they join it.

Human Rights Watch, a New York-based lobby group, says that “while this government is an improvement over its predecessor [the Derg], its human-rights record is nonetheless extremely grim.” The government has also become highly sensitive to criticism. The Committee to Protect Journalists estimates that only Zimbabwe has produced more exiled journalists since 2001, though Eritrea is much fiercer at curbing the freedom of the press.

The Ethiopian government's efforts at political control are supported by a wide network of informers and secret police. Critics say it is exploiting the jihadist terror threat to link many legitimate opposition campaigners and supporters with terrorist groups and take them off the streets. The threats from Eritrea, where a new border war could erupt at any time, and the Islamists in Somalia are real. But at this rate, argues Mr Demeksa, “the ethnic groups are on a collision course.”

It does not have to come to that. Many people are working tirelessly to bridge the differences. But if such tensions are not eased and the lack of jobs and opportunities not addressed, Ethiopia's future could get much bumpier. In that case, its friendship in a dangerously volatile region would be of little use to the West.

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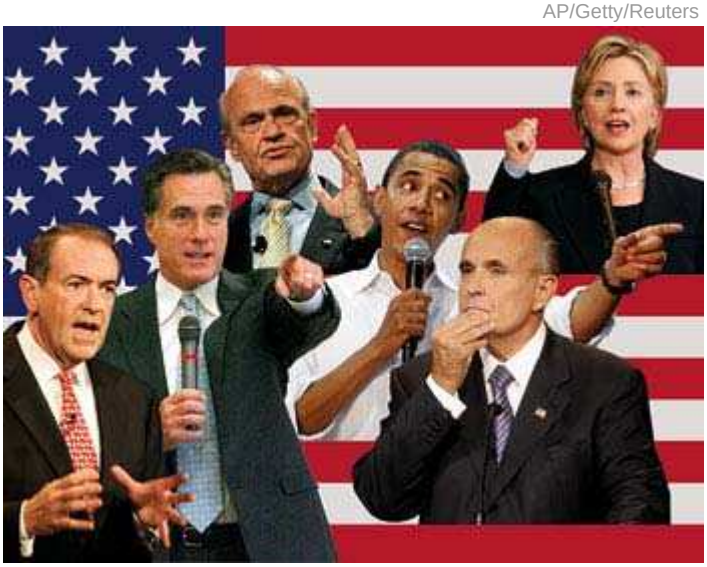
The election

Who will take on Hillary?

Nov 1st 2007 | WASHINGTON, DC
From The Economist print edition

AP/Getty/Reuters



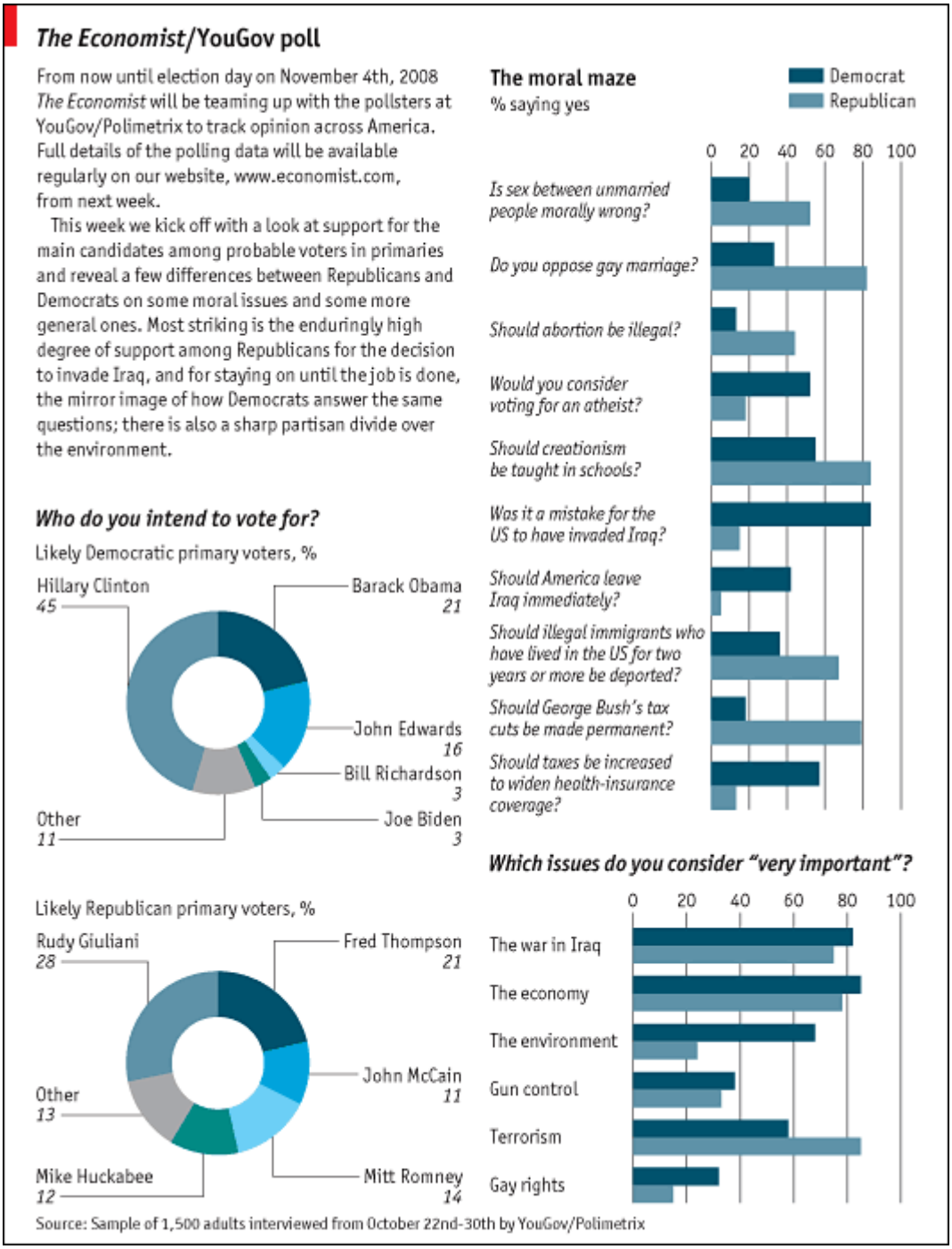
A year before polling day (and only two months before the first primary) the Republican nomination is wide open. Can Rudy Giuliani maintain his lead?

EIGHT months ago Charlie Cook, a tubby political analyst, said he was more likely to win the Tour de France than Rudy Giuliani was to win the Republican presidential nomination. Many pundits agreed. Sure, Mr Giuliani was a crime-busting mayor of New York and he famously kept his head when the twin towers fell. But he favours gun control, likes gays and does not want to ban abortion. Randall Terry, the founder of Operation Rescue, a radical anti-abortion group, calls him “Mayor Beelzebrooklyn”.

Yet Mr Giuliani is still the Republican front-runner. A poll of polls compiled by Realclearpolitics.com, a political website, puts him 11 percentage points ahead of his nearest challenger, Fred Thompson, an actor and former senator. The Intrade political futures market gives him a 41% chance of winning the nomination, while his nearest challenger by this measure, Mitt Romney, a former governor of Massachusetts, has only a 29% chance. And a couple of recent polls showed Mr Giuliani narrowly pipping Hillary Clinton in a general election—the first time for a while that any Republican has done so. Mr Cook says he is thinking of working out and losing weight, just in case.

Mr Giuliani's supporters say he is such a fine leader that Republicans can overlook his messy private life (he is on his third marriage, and has strained relations with his children) and heretical views on abortion, gays and guns. Maybe they are right: many social conservatives also feel strongly about crime, taxes, and national security, Mr Giuliani's strengths.

Crime halved in New York while he was mayor. Granted, the decline began before he took over, but it accelerated under him. And granted, he should have shared more of the credit with his police chief, William Bratton, who ended up quitting New York for Los Angeles, and has slashed crime rates there. But most impartial observers think Mr Giuliani's “broken windows” strategy (where police arrest people for small crimes and thereby ensnare bigger criminals, who may be carrying guns or drugs when they dodge subway fares) did a lot to make a scary city safer. No other candidate of either party can make such a claim. And since most voters dislike being mugged, that matters.



Mr Giuliani's record as a tax-cutter is also fairly strong. Under him, the share of New Yorkers' personal income gobbled up by the city shrank from 8.73% to 7.24%. Or, as he puts it: “I brought taxes down by 17%,” which sounds more impressive. On the minus side, the city's debt increased by half on his watch. Cutting spending is much trickier than cutting taxes, and Republicans' failure to do so has badly hurt them in the eyes of many economic conservatives.

But in speeches to those economic conservatives, Mr Giuliani is animated and amusing. He reminds them that he cut New York's welfare rolls by more than half. He says earmarks (funding for legislators' pet projects) are “the broken windows of the spending culture”. He taunts Mrs Clinton for her supposed plans to hand out cash to all and sundry. Business-minded Republicans lap it up, though some fret about the deficit question.

Mr Giuliani's reputation as tough on terrorists rests largely on his unflappability after the World Trade Centre was attacked. That is a less substantial achievement than rolling back crime or welfare, but it is what television viewers remember about the man who has been dubbed “America's mayor”. He adds to his reputation with ferocious displays of hawkishness, vowing to remain “on offence” in Iraq and promising unflinching support for Israel. One of his foreign-policy advisers, Norman Podhoretz, urges President George Bush to bomb Iran's nuclear sites as soon as practically possible—though Mr Giuliani does not go so far.

Mr Giuliani's hawkishness could be a vital factor in his struggle to win over Republicans who think him too soft on social issues such as abortion. Many pro-life conservatives are also pro-Israel and convinced that Christendom is threatened by “Islamofascists”. Mr Giuliani addresses such audiences with deference. He admits to being an imperfect candidate. He admits that they will not always agree with him, but insists that they can always trust him. This is a veiled jab at Mr Romney, whose recent conversion to pro-lifery smacks to many of opportunism.

Some of these social conservatives are nonetheless so appalled by Mr Giuliani that they threaten to back a third-party candidate if he wins the Republican nomination. Others think that would be foolish, since it would virtually guarantee victory for the Democrats. But many Republicans fall into a third category—they are simply unaware that Mr Giuliani is socially liberal. A recent Gallup poll found that only 37% knew he was pro-choice and only 18% knew he favoured civil unions for gays.

This makes the race for the Republican nomination extremely hard to predict. As the primaries draw near, will voters learn more about Mr Giuliani and reject him? Some undoubtedly will. But others may not have bothered to find out where he stands on abortion because they do not think it matters much. After all, the president cannot ban the practice. The most he can do is to pick pro-life Supreme Court judges who, if confirmed by a substantially pro-choice Senate, might conceivably one day overturn *Roe v Wade* and hand the issue back to the states. This is highly unlikely, though, and most voters pay more attention to other issues.

For many Republicans, Mr Giuliani's chief virtue is that he has the best shot at beating Hillary Clinton. His boosters say his moderate social views could lure swing voters and bring big blue states such as New York and California back into play, at least forcing the Democrats to spend time and money defending them. Perhaps, but many swing voters will be repulsed by his hawkishness or his dodgy friends. (His third police chief, Bernard Kerik, is currently being investigated for tax fraud; were he to be indicted, that would be awkward for Mr Giuliani.)

Civil libertarians, too, distrust Mr Giuliani. He is worryingly vague as to what constitutes torture. He tried unsuccessfully to stay on as mayor beyond his term limit, citing the emergency of September 11th 2001. *Washington Monthly*, a Beltway journal, predicts—on the evidence of his record in New York—that if Mr Giuliani were elected president he would grab even more executive power than Mr Bush has.

Rasmussen Reports, a polling firm, also casts doubt on the notion that Mr Giuliani is the most electable Republican. As long as the Republican field remains so unsettled, head-to-head polls reveal mostly what voters feel about Mrs Clinton, the only candidate everyone knows. Against any of the top five Republicans, she wins between 46% and 49% of the vote. Against the little-known Ron Paul, a libertarian, she scores the same (48%). So Mr Giuliani's advantage is slight. And since it partly reflects his perceived electability, any doubts about that could scupper him.

If Mr Giuliani stumbles, Mr Romney is the most likely beneficiary. He is ahead in the first two primary states to vote, Iowa and New Hampshire (Mr Giuliani is barely bothering to campaign in Iowa). If Mr Romney wins both, the resulting avalanche of free media could sweep him to the nomination. And if he fails, Mr Thompson is still waiting to pounce, as are Senator John McCain and Mike Huckabee, a former governor of Arkansas and impeccably pro-life Baptist minister who mixes appealingly corny one-liners with worryingly populist views on economics.

The Democratic choice

Compared with the Republican race, the Democratic one remains rather dull. Mrs Clinton leads by 30 points in some polls, and by an average of 24%. Her normally courteous rival, Senator Barack Obama, has promised to start attacking her. In a debate on October 30th he accused her of “changing positions whenever it's politically convenient”, listing the North American Free-Trade Agreement, torture and the war on Iraq as examples. Other Democratic candidates also weighed in against her, some very spikily.

There remains a chance that Mr Obama could win the hotly-contested Iowa caucus, which kicks off the primary season in only two months' time, on January 3rd. Mrs Clinton's lead is much slimmer in Iowa than elsewhere. If she does badly in the state, that could throw the race into confusion.

But Mrs Clinton's toughest contest still looks much more likely to come in the general election—and by sounding a relatively hawkish note over Iraq and Iran, she is already looking ahead to that battle. Whoever wins the nominations, it will be a brutal battle. Mr McCain may have set the tone with a recent

ad mocking Mrs Clinton's attempt to waste $1m of taxpayers' money commemorating the drug-fuelled Woodstock music festival of 1969. Mr McCain, who was being tortured by the Vietcong at the time, deadpanned: “I wasn't there...I was tied up.”

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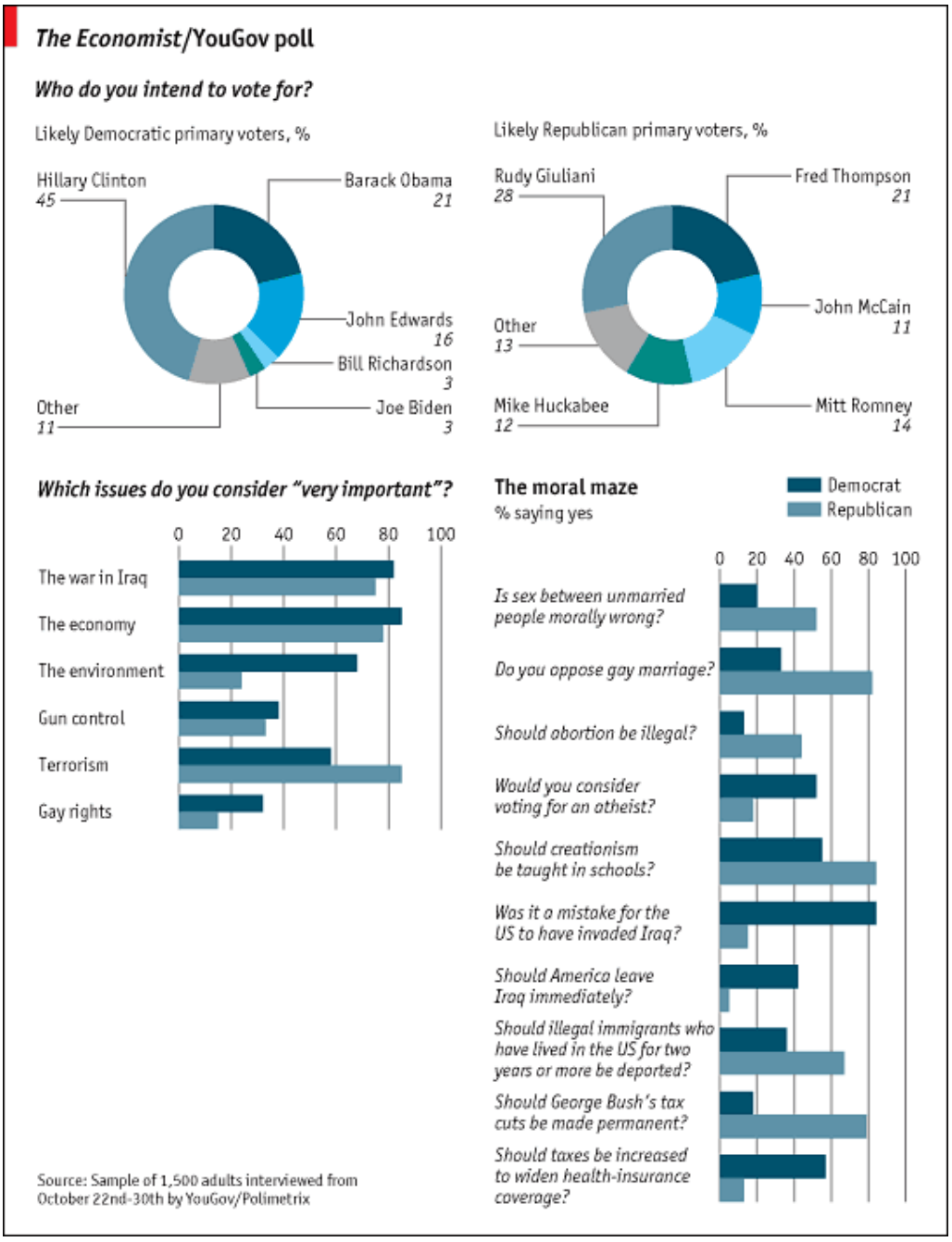
The Economist / YouGov poll

Nov 1st 2007
From The Economist print edition

FROM now until election day on November 4th, 2008 *The Economist* will be teaming up with the pollsters at YouGov/Polimetrix to track opinion across America. Full details of the polling data will be available regularly on Economist.com from next week.

This week we kick off with a look at support for the main candidates among probable voters in primaries and reveal a few differences between Republicans and Democrats on some moral issues and some more general ones. Most striking is the enduringly high degree of support among Republicans for the decision to invade Iraq, and for staying on until the job is done, the mirror image of how Democrats answer the same questions; there is also a sharp partisan divide over the environment.



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Iran

Tightening a loose noose

Nov 1st 2007 | WASHINGTON, DC
From The Economist print edition

America's sanctions will hurt Iran, but won't stop its nuclear programme

Get article background

IF IRAN'S enemies are foolish enough to invade, “they will receive a strong slap,” growled the head of Iran's Revolutionary Guards, according to a semi-official local news agency. He did not need to name the enemies in question. Relations between Iran and America, always bad, are now even worse than usual.

On October 25th America announced fresh sanctions against the Iranian regime. From now on, no American may engage in financial transactions with the Revolutionary Guards or any of their many associated businesses, nor with the al-Quds force (an elite arm of the Revolutionary Guards), nor with three state-owned Iranian banks: Bank Melli, Bank Mellat and Bank Saderat. All these organisations are involved either in weapons proliferation or terrorism, said Condoleezza Rice, America's secretary of state. All their assets under American jurisdiction will be frozen, if they can be found.

The aim of the sanctions is to persuade Iran to stop trying to build nuclear weapons. Iran denies it is doing this, but has consistently failed to meet its treaty obligations to make its supposedly peaceful nuclear energy programme transparent. The Iranian regime is also accused of arming and funding militiamen who kill American soldiers in Iraq, and Iran's president has threatened to wipe Israel off the map.

On October 17th Mr Bush said that “if you're interested in avoiding world war three, it seems like you ought to be interested in preventing [Iran] from having the knowledge necessary to make a nuclear weapon.” In late September the Senate passed a motion branding the Iranian Revolutionary Guards a terrorist group. Now that Israel has recently bombed sites in Syria that may well have been secret nuclear facilities, the question arises: is America about to bomb Iran's nuclear sites?

Sober analysts think it possible, but unlikely. Such people cannot easily be heard, however, above the hubbub of presidential candidates. The leading Republicans are vying to sound tougher than each other in confronting Iran. Rudy Giuliani, for example, will not rule out even the use of tactical nuclear weapons against it.

The Democrats are equally alarmist, but for different reasons. Since Hillary Clinton voted to label the Revolutionary Guards terrorists, her Democratic rivals are keen to portray this as having recklessly given George Bush the go-ahead to attack Iran. In fact, if Mr Bush detects an imminent threat, he does not need congressional approval to react to it. But public opinion is distinctly dovish: three-quarters of Americans think Iran is building a bomb, but two-thirds nonetheless oppose military strikes.

Ms Rice says America will support Iran's civilian nuclear programme if it stops dabbling with technologies that can be used for bomb-building. But the new sanctions are unlikely to be enough. With oil at over $90 a barrel, the regime has a cushion against hardship. Rather than relying on unilateral sanctions or sabre-rattling, America's best bet is still to persuade Russia and China to help isolate the regime. Unfortunately, there is not much sign that this will prove easy.

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The farm bill

Filling the hoppers

Nov 1st 2007 | WASHINGTON, DC
From The Economist print edition

Why plump farm subsidies will probably stay as they are

ACCORDING to America's Census Bureau, fewer than 1m Americans are farmers, considerably less than 1% of the workforce. But the farm lobby looks as strong as ever. So far it is once again winning its fight to maintain the billions in annual subsidies that the federal government showers on American agriculture.

For most Americans—and, indeed, for most members of Congress—federal farm-policy is a complicated and dull distraction from bigger issues. Farm bills are usually left to a small cabal of lawmakers whose passion for preserving subsidies far outweighs others' passion for eliminating them. This year debates over Iraq and health care have pushed agricultural matters well down the list of priorities.

Back in the spring, agricultural reform looked possible. Taxpayers' lobbies, environmental groups and government watchdogs had aligned to oppose America's complicated and inefficient system of farm payments. The Democrats had taken control of Congress, promising to cut wasteful spending. Demand for ethanol had pushed corn and soyabean prices to record peaks, and farm incomes were generally high. Arguments that rich farmers needed government aid were even less credible than usual.

However, as the Senate prepares to debate its farm bill next week, prospects for change again look dim. The House of Representatives has already passed a bill preserving most subsidies, but throwing soothing sops to opponents in the form of help for biofuels and conservation. On October 25th a Senate committee approved a draft that would leave subsidies more or less as they are for another five years.

According to a database compiled by the Environmental Working Group, a whopping $165 billion went on farm payments between 1995 and 2005. But 73% of that went to 10% of recipients. Half went to only eight states. American farmers, meanwhile, are hardly struggling. The Department of Agriculture projects that the average farm household's income this year will be $87,000.

In 2005 a quarter of subsidies came in the form of “direct payments”, which go to landowners regardless of what they farm, how much they farm or if they farm at all. These payments, originally designed to wean farmers off subsidies, have stuck around, along with the subsidies they were meant to replace.

The Senate committee made a nod to reform by declaring those who make more than $750,000 a year ineligible for this largesse—but only as long as two-thirds of that income does not come from farming. The federal government, then, will continue to hand billions to profitable farmers and many others under the bill. An amendment from Richard Lugar, a Republican from Indiana, proposed slashing direct payments in order to finance other priorities such as food stamps. But it failed miserably in the committee, which is filled with the farm lobby's friends.

Now the bill moves to the Senate floor, where it should encounter more resistance. Mr Lugar plans to introduce a more ambitious amendment there, which would eliminate the worst of the subsidies and replace them with government-run insurance for farm incomes. It would also apply to farmers of all crops in the country, unlike the current array of subsidies, which mostly benefit “commodity crops” such as wheat, corn and soyabeans. The substantial money saved would go into conservation funds, nutrition programmes and debt reduction. And lobbyists would have a harder time defending the existing system as a safety net for disaster-prone American farmers.

The prospects for the amendment are not good in the Senate, where rural states are over-represented. Even so, reformers can take some heart from a couple of hopeful signs. Debate in the Senate is likely to take longer than it did in the House, giving Mr Lugar and his allies more time to sell their proposal. Other, more modest, amendments will also come up, including one to limit the size of payments. Also, George Bush and his acting agriculture secretary have hinted that they will oppose the bill. A presidential veto might blow the farm debate wide open.

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Mississippi

On the move

Nov 1st 2007 | BLUE SPRINGS AND MERIDIAN
From The Economist print edition

The money-changers can stay, for now

FEW politicians acquitted themselves well in the immediate aftermath of Hurricane Katrina. One exception was Haley Barbour, the Republican governor of Mississippi. Having spent years as the head of the Republican National Committee and as an extremely influential lobbyist, he knew how to work with Washington. He was able to elicit federal money while avoiding federal interference, and unlike several other politicians, he did not dissolve into tears on national television.

Mr Barbour is up for re-election on November 6th and will probably win, although he has taken the precaution of going negative on his opponent. John Eaves says that he is a Democrat precisely because he is a Christian, which makes him a bit unusual among Democrats, not to mention southern white Christians. He wants Mississippi schoolchildren to spend the first ten minutes of each day in prayer and to have the option of taking classes in Bible literacy. He opposes abortion, gun control and gay marriage.

At the national level, many Democrats would balk at supporting a candidate with these views. But they hardly hurt Mr Eaves in Mississippi. And apart from putting Jesus back in everything, his interests are of a piece with those of the leading presidential candidates. He wants to help the poor, establish universal health care for children and fight lobbyists—or as he puts it, throw out the “money-changers”.

The language is loaded, but the last point is salient. Questions persist over whether Mr Barbour has truly separated himself from his old lobbying interests. For example, he used to lobby on behalf of tobacco companies. Mississippi has one of the lowest cigarette taxes in the country, and one of the highest sales taxes. Earlier this year the Mississippi House passed a popular bill that would have raised the former and lowered the latter. Mr Barbour opposed it, and it stalled in the Senate.

But saying that Mr Barbour is a “Washington lobbyist” is not necessarily a stinging rebuke. Voters came to terms with that fact the first time he ran. In fact, some Mississippians see it as a selling point: they think that Mr Barbour's connections give their state a seat at the table.

And he has helped bring thousands of new jobs to the state. On a recent afternoon the sun shone brightly on Blue Springs, a town in the state's north-east thick with scrub trees and kudzu vines. Steamrollers and backhoes have reshaped hundreds of acres there over the past six months. Frogs hid in the furrows left by their tyres. This is the future site of a new Toyota assembly plant that Mississippi won over bids from Tennessee and Arkansas. The state remains the nation's poorest, and unemployment, according to the Bureau of Labour Statistics, has actually increased slightly since Mr Barbour took office. But such development bodes well for its future, and for Mr Barbour's.

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Catholics

Make way for Houston

Nov 1st 2007 | AUSTIN
From The Economist print edition

The south-west gets its first cardinal

Get article background

LAST week Trinity Church, near Dallas, staged its annual “Hell House”. The production dramatised “real life situations” such as being controlled by demons. With entertainments like this, it is not surprising that Protestants are the most visible religious group in Texas. But they are not its largest. That honour goes to the state's Catholics: 6.5m of them in Texas today, up from 3m 20 years ago.

Hispanic immigration is driving the growth of the Catholic church in America, particularly in the south-west. According to an April 2007 report from the Pew Hispanic Centre, a third of Catholics in America are Hispanic. Yet most of the country's dozen cardinals are clustered on the east coast. The south-west has never had one though there has long been one in Los Angeles. On November 24th that will change. Pope Benedict has appointed Daniel DiNardo, archbishop of the Galveston-Houston archdiocese, one of 23 new recipients of a red hat.

Archbishop DiNardo's elevation is a sensible way for the Vatican to recognise the region's importance, though some observers were surprised that the incumbent in Texas's other archdiocese, San Antonio, was passed over. That city has a longer Catholic tradition, a higher proportion of Latino residents, and a Latino, José Gomez, as its archbishop, rather than an Italian-American.

But with 1.3m registered Catholics, the Galveston-Houston archdiocese is almost twice as populous as San Antonio's. And its Hispanic population amounts to almost 800,000 of the 2m people in Houston alone. Cardinal DiNardo will still be able to be vocal about the plight of illegal immigrants. And he will be able to chime in on other moral issues. Houston is the seat of Harris county, which sends more offenders to death row than any other in America.

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Denver

The dream of Hickenlooper

Nov 1st 2007 | DENVER
From The Economist print edition

Paying for a changing city

OVERSHADOWED by the mighty Rocky Mountains, Denver is often ignored. This upsets the city's leaders, who want locals and visitors alike to recognise Denver as one of America's great cities. And there they can boast of some progress. The centre, a ghost town as recently as the 1980s, now bustles with activity. A year ago the Denver Art Museum opened a striking 146,000 square ft (13,600 square metres) extension; a new Museum of Contemporary Art opened last month. Next summer Denver will host the Democratic Party's convention, for the first time in a hundred years.

Many want more improvements. Central to the drive is John Hickenlooper, a local restaurant-owner turned popular mayor, who has an impressive record of convincing voters to back their enthusiasm for Denver's transformation with cash. This month residents are voting by post on his latest schemes: nine measures, known as referendums A through I, asking for $576.8m in tax increases and bonds to “make a better Denver”.

The measures address a wide range of needs for a metropolitan area with a fast-growing population (up from 1.5m in 1980 to almost 3m now). Most of them are unglamorous. Referendum A creates a maintenance fund. Part of Referendum I pays for a new police firing range. Other projects have more appeal. Some $93m would help the ailing parks system; $131m is set aside for overdue cultural improvements, such as sprucing up the botanical gardens and sharpening the acoustics in the symphony hall.

Not all American cities have to ask their citizens if they want to raise taxes. But Colorado, nudged by strong libertarian elements in parts of the state, voted in 1992 to amend its state constitution with a strict taxpayers' bill of rights, known as the TABOR amendment. It says that any state or local tax change that increases revenue, after allowing for inflation and population growth, must be approved by a popular vote, and that any budget surplus must be returned to the people. In the robust economy of the 1990s, TABOR restrained government spending; during the economic downturn that followed, it almost bankrupted the state. In both 2000 and 2005 voters agreed to partly relax it.

These constraints are not a large problem for liberal Denver. Residents do not seem to mind moderate tax increases. They have approved a number of them in recent years. Much of this is due to Mr Hickenlooper's businesslike ways of sorting out the city's finances. The mayor was elected in 2003, and re-elected with 86.3% of the vote last May; when such a popular figure says Denver needs something, people tend to believe him. During his tenure voters have approved tax increases for an expansion of the light-rail transport system (2004), a new justice centre (2005), and a voucher programme for pre-school education (2006).

Some worry that the latest funding requests will test Denver's tolerance for new taxes. But supporters (many of whom would directly benefit if the measures pass) have donated over $1m to help pay for advertising. Much of it, in print and on TV, features the mayor. He believes the referendums will “send a message about who we are (and) what we want to become.” And he seems optimistic that the voters will support him.

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Immigrants in Arkansas

Illegal, but useful

Nov 1st 2007 | LITTLE ROCK
From The Economist print edition

Where would Arkansas be without immigrants?

THIS week executives from some of Arkansas's principal companies—Tyson Foods, the world's largest meat processor, Alltel, a wireless company, and Stephens, one of the biggest investment firms outside Wall Street—joined ministers, civic leaders and the local American Civil Liberties Union to form the Arkansas Friendship Coalition. The group, led by Steve Copley, a Methodist minister, stresses that states should abide by federal immigration laws rather than try to make their own.

This sudden respect for the wisdom of Washington has been prompted by anti-immigration laws passed in Arkansas's neighbours, Oklahoma and Missouri. Oklahoma's Taxpayer and Citizen Protection Act, which went into effect on November 1st after a lawsuit failed to stop it, will be one of the most stringent in the country. It imposes tighter screening on employers, essentially barring undocumented workers from getting jobs. Illegal immigrants will also find it harder to get benefits.

Some anti-immigration advocates have begun to push for similar laws in Arkansas. In the state's north-west, where most of Arkansas's Latinos live, four police agencies have signed up with the customs and immigration agency to enforce immigration law more efficiently. Mike Beebe, the Democratic governor, wants state troopers to get tougher too. This sort of thing generates bad feeling, especially since, by one estimate, immigrants—almost all Latino—contribute $2.9 billion directly or indirectly to the state's economy each year.

Between 2000 and 2005 Arkansas had the country's fastest-growing Hispanic population, native and foreign-born. The Census Bureau projects an Arkansas population of nearly 3m in 2010, of which 6% will live in immigrant households. Realising a need, Mexico opened a diplomatic office in downtown Little Rock in the spring.

Of Arkansas's immigrants, 60% (the national average is 54%) are aged between 20 and 45. Their youth suggests that, even more than elsewhere, they may replace retiring baby-boomers in the workforce. Lack of higher education keeps them out of the better-paying jobs, but a report by the Winthrop Rockefeller Foundation estimates that without immigrant labour, annual revenue from Arkansas's manufacturing industry would probably be $1.4 billion lower.

In answer to critics, the Arkansas Friendship Coalition stresses that it is not putting out a welcome mat for illegals. It just wants federal immigration law to be overhauled, before state governors like Mr Beebe take it into their own hands.

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Lexington

Last action hero

Nov 1st 2007
From The Economist print edition

Illustration by Kevin Kallaugher

Sadly, Arnold Schwarzenegger is likely to prove a one-off

Get article background

ON OCTOBER 25th two men stood in front of a group of Californian firefighters and addressed the cameras. George Bush went first. He showered blessings on everyone present, as well he might: after Hurricane Katrina two years ago, it must have been nice to be associated with a well-managed natural disaster. Soon it was Arnold Schwarzenegger's turn. Referring to Mr Bush's prompt response to the fires, California's governor said: “I call this quick action—I mean, quicker than I expected.” Spoken with an Austrian accent that is oddly undiminished after nearly 40 years in America, it almost sounded like a compliment.

Mr Schwarzenegger is the Republican Party's biggest star. Now that Michael Bloomberg, New York's mayor, has left the fold to become an independent, nobody else can boast such broad appeal. Thanks largely to his support for green causes, the governor plays well overseas. The Public Policy Institute of California's latest poll shows that more Democrats approve of him than do not. Even Gray Davis, whom Mr Schwarzenegger tipped out of office in 2003, usually says nice things about him.

The fires that have razed some 2,200 houses in his state so far seem to have made him still more popular. California's politicians are used to natural disasters—Pete Wilson, the last Republican governor, faced 22 in his first term alone—but they have not always proved skilful at dealing with them. Mr Schwarzenegger is a natural, a master of the nitty-gritty of disaster relief. His most widely quoted utterance so far came at San Diego's refugee centre: “Do we have the baby formulas, do we have the diapers, do we have enough toilet paper, do we have enough toilets?”

In his loftier moments, Mr Schwarzenegger claims to be blazing a new political trail, which he calls “post-partisanship”. This does not involve thrashing out partisan differences (that, he explains, would be mere bipartisanship). Rather, it means rising above such abstract concerns in order to tackle the problems that vex ordinary people. It is a splendid notion. Yet, despite the governor's attempts to sell it in Washington, his post-partisan approach is unlikely to travel far, or even to persist after his term ends in 2010. Recalling his early years as a penniless immigrant, Mr Schwarzenegger often says that he could have succeeded only in California. The same is true of his political methods.

Mr Schwarzenegger was an implausible film star (the great critic Pauline Kael described him as “a puzzling, cartoon phenomenon, like a walking brick wall”) whose political career began equally improbably. He came to power in a recall election—an event, only possible in a handful of states, that has occurred just twice in America. It was an open race, which meant that Mr Schwarzenegger did not have to face a Republican primary election. Able to ignore the party's right wing, he occupied the centre ground, and has stayed there ever since.

Like many blockbuster films, the story of Governor Arnold forms a trilogy. He began as an action hero, attempting to solve the state's problems single-handed. When he ran into opposition, Mr Schwarzenegger turned nasty, calling Democratic legislators “girlie men” and putting his proposals for reform directly to the people. He knew that, particularly in California, measures approved by voters are almost impossible for politicians to overturn. But his gamble failed. Defeated, the governor abruptly apologised and turned benign, like the reprogrammed hero of “Terminator 2”. So began the third, most successful and most interesting phase of his political career.

These days, when the governor wants to get something important done, he first agrees a plan with the state legislature—which means, in effect, the Democratic majority. Together, they then ask voters to approve it, along with any necessary new taxes or debt. This is how, last year, the state approved the issuing of a whopping $43 billion in bonds for infrastructure. Although little progress has been made so far on a plan to expand health coverage, that reform will almost certainly follow the same route. This strange hybrid of politics as usual and direct democracy has two advantages. It inoculates bills against future mischievous ballot initiatives, since people are not likely to vote down a measure that they have previously voted for. More important, it neuters California's troublesome Republicans.

Only in California

The west coast is famous for nurturing extreme left-wing Democrats in coastal soviets such as Berkeley and Santa Monica. Less well-known, but no less barmy, are its extreme right-wing Republicans. The party faithful, no friends of the governor, can block tax hikes, since these have to be approved by a two-thirds majority of the state legislature. But by asking voters to approve new spending directly, the governor has found a way to deprive them of this power.

The extremism of California's politicians is caused partly by the sharp contrast between the state's agricultural interior and its technology- and entertainment-oriented coast. But it is mostly the result of gerrymandering, the drawing of district lines in a way that virtually guarantees seats will not change hands. As a result, the only races that count are the party primaries, over which the most zealous voters hold sway.

Although this is bad news for the state as a whole, it provides an opportunity for a moderate man of action to shine. California's political middle ground is so broad and sparsely populated that anybody who occupies it seems extraordinarily reasonable. Yet Mr Schwarzenegger's successor will find it hard to follow his lead. He or she will have to win a primary election first, which means sucking up to the extremists. From there, it will be a long, hard road to the political centre. California has given many wonderful things to the world, from the silicon chip to valet parking. But “post-partisan” politics are unlikely to travel quite so well, at least in America.

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Argentina's presidential election

The penguins' onward march

Nov 1st 2007 | BUENOS AIRES
From The Economist print edition

Reuters

The shift from Néstor to Cristina Kirchner offers a chance for change—even if this may prove to be largely cosmetic

Get article background

THE polling stations were still open on October 28th when a pair of giant inflatable penguins, one male, one female, were set up in the plaza outside the hotel where Cristina Fernández de Kirchner celebrated her election as Argentina's president. Her husband, Néstor, who has held the job since 2003, revels in his nickname the “penguin”, bestowed upon him because of his previous job as governor of the distant Patagonian province of Santa Cruz. And like a true penguin, he showed his commitment to his family with his surprising decision earlier this year to have his wife run in his stead.

Once that decision was taken, it was almost a formality that she would go on to become the first woman to be elected as Argentina's president. The Kirchners control the Peronist movement, the country's most powerful political machine: Ms Fernández was anointed, rather than having to submit to a primary. Many voters credit them for the country's economic recovery.

The election cements their place at the forefront of the country's politics for the foreseeable future. Ms Fernández won 45% of the vote, enough to avoid a run-off. She won commanding majorities in the working-class suburbs of Buenos Aires and among poorer voters across the country. The Kirchners' supporters increased their majority in both houses of Congress. Daniel Scioli, Mr Kirchner's vice-president, was elected to the powerful post of governor of Buenos Aires province (home to almost 40% of Argentines), though he may yet prove a fair-weather friend.

The missing ingredient that might have turned the election into a contest was a credible opposition. The Radicals, the Peronists' main opponents for the past 60 years, were pulverised by the economic and financial collapse of 2001-02, which toppled them from power. Elisa Carrió, a centrist anti-corruption campaigner and a former Radical, came a distant but creditable second with 23%, while Roberto Lavagna, Mr Kirchner's former economy minister, got 17%. Ms Carrió did well among the middle classes in the big cities, underlining the social polarisation that has often characterised Argentine politics.

Ms Fernández was a nationally-known politician before her husband: she has been in Congress since 1995. Both Kirchners cut their political teeth in the left-wing Peronist youth movement of the turbulent 1970s, before graduating as lawyers. She is more worldly than her husband, and may be a shade more moderate. But she has been a powerful influence behind the scenes during Mr Kirchner's presidency, in

which he has excoriated the IMF, the privatisations of the 1990s and multinational energy companies, while striking a firm alliance with Venezuela's Hugo Chávez.

After Ms Fernández receives the presidential sash from her husband on December 10th, how much continuity or how much change will she offer? Since she did little active campaigning, that is hard to predict. But the most visible change may come in foreign policy. She wants to improve Argentina's relations with the world, which are still strained by its break with the IMF and the 2001 debt default. Mr Kirchner rarely travelled and notoriously snubbed foreign visitors. In contrast, Ms Fernández has spent much of the past few months abroad courting foreign leaders and businessmen. She has vowed to renegotiate the $7 billion Argentina still owes the Paris Club group of creditor governments, and has echoed Brazil's president, Luis Inácio Lula da Silva, in seeking to position herself as an intermediary between Mr Chávez and the United States.

But her immediate task will be to consolidate Argentina's economic recovery. Though helped by high prices for farm exports, this is showing fragility. Overheating has become increasingly pronounced since late 2005, when Mr Kirchner dropped the prudent Mr Lavagna: interest rates are negative in real terms, public spending has surged and so has inflation, despite price controls on food and energy.

Having tiptoed around these problems for much of the campaign, in the past fortnight Ms Fernández has dropped hints that she will address them, but gradually. Public spending is likely to grow more slowly, and utility tariffs may rise for the middle class. She has promised that the much-manipulated inflation index will in future employ a similar methodology to that in the United States. But it is not clear whether she will contemplate a rise in interest rates or an appreciation of the peso.

Despite her clear mandate, Ms Fernández may find governing more difficult than has Mr Kirchner. Her relationship with the Peronist base of unions, party-machine mayors, and street-protest organisations is distant. It could be strained if she curbs wage increases and public works to fight inflation. “There will be conflicts,” says Manuel Mora y Araujo, a political analyst. “Those people are tough, and they don't negotiate easily.”

Mr Kirchner could do his wife a favour by taking some unpopular measures, such as raising utility tariffs and export taxes on farm products, over the next month. She may also rely on him in other ways. He has said he plans to devote his energies to creating a new centre-left coalition, gathering together the Peronist left and sections of the Radicals, to form an Argentine equivalent of Chile's successful governing coalition, the Concertación.

Opponents have criticised Mr Kirchner as high-handed and as a man who has shown little willingness to be held accountable to democratic institutions. Ms Fernández has struck a different tone. In a conciliatory victory speech she offered to “extend a hand” to the opposition. But as she spoke some of her supporters broke into the Peronist party anthem. Whatever Ms Fernández's intentions, Argentina may be in for rather more continuity than change.

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Venezuela

Making socialism official

Nov 1st 2007 | CARACAS
From The Economist print edition

Hugo Chávez's new constitution

Get article background

THE Catholic church calls it “morally unacceptable”. Many lawyers and human-rights organisations say it violates fundamental freedoms. Even some of the government's allies have spoken of “constitutional fraud”. But none of this looks likely to hinder Hugo Chávez's sweeping reform of Venezuela's constitution. The National Assembly was set to approve the changes on November 2nd for submission to a referendum a month later.

Mr Chávez says that the reform, which follows his victory in a presidential election last December, is imperative to entrench his “revolution”. As unveiled by him in August, the reform affected fewer than a tenth of the 350 articles in the 1999 constitution (which the president himself inspired). But the assembly has added a further 36 articles.

EPA

Demonstrating against the six-hour day

Many of the changes expand presidential power and weaken the remaining institutional checks on it. But officials argue that the creation of grass-roots “communal councils” amounts to a big devolution of power to “the people”. At the heart of the reform is an increase in the presidential term, from six to seven years, and the removal of term limits. First elected in 1998, under the current constitution Mr Chávez would not be able to stand at the next presidential election, due in 2012.

The reform also allows the president to dispose of the country's international reserves as he sees fit, and to declare any part of the country a “federal territory”, ruled directly from the presidential palace. Another change will allow the president to declare an indefinite state of emergency and suspend the right to information and to elements of due process.

Scattered throughout the new draft are references to the “socialist state” Mr Chávez is planning. Elections, for example, are described as “for the construction of socialism”, while the central bank's job will now be to contribute to the “socialist economy”. What that means is not spelled out. But the new charter will weaken property rights, for example by allowing expropriations before rather than after a court ruling. The government will have specific powers to take over farms and food factories if “food security” is threatened.

The assembly is all but a rubber stamp for Mr Chávez, because of the opposition's short-sighted decision to boycott a legislative election in 2005. Of its 167 members, only a handful belonging to Podemos, a democratic socialist party, have objected. Podemos claims still to support the government. But it has accused the assembly of railroading the changes through, adding extra clauses at the last minute even after the reform had completed its first and second readings. The *chavista* loyalists in the assembly argue that these changes emerged from thousands of meetings held across the country in recent weeks.

The most vocal opposition has come from outside the assembly. This month the Catholic bishops issued an “exhortation” in which they warned that the “implantation of a socialist state...implies the end of pluralism and political freedom”. In a joint statement, the country's professional associations warned that driving through a constitution that does not command widespread consensus threatens to “create the conditions for a political and social conflict of unpredictable dimensions”.

Opinion polls suggest that many Venezuelans may not vote in the referendum. But Mr Chávez is likely to get his way. He has won every election since 1998, and the government now dominates the mass media. And the reform includes two crowd-pleasing measures: a cut in the working day to six hours and the granting of social security to informal workers, though neither requires constitutional change. If and when the price of Venezuela's oil plunges, socialism looks set to consign the country to constitutionally mandated poverty.

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The World Cup

Free kicks and kickbacks

Nov 1st 2007 | SÃO PAULO
From The Economist print edition

AFP

Football comes home to Brazil after 64 years

FOR Brazil, a country with a seemingly endless supply of footballers with magnetic feet, winning the World Cup is often fairly straightforward. Hosting it may prove harder. But this week FIFA, the sport's governing body, confirmed that the competition will take place in Brazil in 2014.

That gives the country a chance to get even with the other big emerging economies with which it is sometimes bracketed as the BRICs. China will host the Olympics next year, India has the Commonwealth Games in 2010, while Russia has the Winter Olympics in 2014.

Brazil has a head start. It already has lots of football stadiums, even if many are small or crumbling. China, by contrast, has a dozen sports centres, an underground railway and an airport terminal to complete before the Olympics start. For Brazil, a bigger problem may be getting several hundred thousand foreign tourists safely to the matches in time for the kick-off. Its airports are poorly run, and roads clogged. And violent crime is a constant problem.

Any big public project in Brazil provides opportunities for expensive pork-barrel politics in a legislature that can make high drama out of even routine spending bills. As if to illustrate what lies ahead, President Luiz Inácio Lula da Silva's entourage in Zurich, where FIFA made the announcement, included a smattering of ministers and no fewer than 12 state governors. They will all demand a share of the spending. Contracts for big projects in Brazil have been an invitation to collect kickbacks in the past.

Some will hope that the tournament will provide a boost to the domestic game. While hundreds of Brazilian stars ply their trade in Europe, the local football league is a paragon of mismanagement. Federal prosecutors are hovering over Corinthians, one of São Paulo's biggest clubs. They want to speak to Boris Berezovsky, a Russian oligarch based in London, about whether the club was used to launder money.

Total pessimism is unwarranted. Earlier this year the Pan-American Games went off smoothly—albeit way over budget—in Rio de Janeiro. With the economy starting to grow faster, the country is in confident mood.

Football fans will surely be pleased with the choice of Brazil. It has won the tournament five times—more than any other country. Even if its national team is currently not quite at its peak, it still performs. In its last outing it thrashed Ecuador 5-0 in Rio's Maracanã stadium. Brazilians will hope, too, that 2014 will at last expunge the memory of the last time they hosted the tournament, in 1950, when in the same stadium they inexplicably lost the final 2-1 to their tiny neighbour, Uruguay (see picture).

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Canada

Sweating the sands

Nov 1st 2007 | OTTAWA
From The Economist print edition

Alberta raises oil royalties—but by less than meets the eye

WHEN Ed Stelmach, an unassuming farmer from rural Alberta, became the surprise choice of the province's ruling Conservatives to replace the abrasive Ralph Klein as provincial premier, political pundits found it hard to recall a single initiative he had championed in four previous cabinet jobs. This month, however, Mr Stelmach finally made his mark. He announced what he accepted was a controversial decision to raise oil and gas royalties, which average about C$10 billion ($10.5 billion) a year, by 20% from 2010.

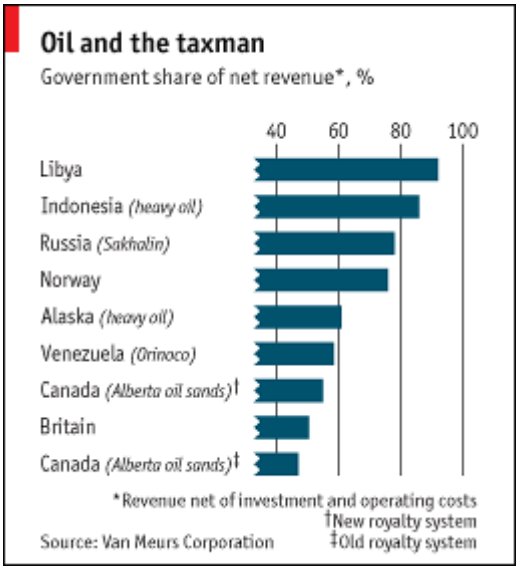
Alberta is hardly alone among energy-producing territories in grabbing an extra slice of windfall profits. In the United States, the federal government this week announced a small rise in royalties on new contracts in the Gulf of Mexico, after a bigger increase in those for deepwater production earlier this year.

In Alberta two recent reports—one from the province's auditor-general and another from an expert committee—concluded that the province was not getting its fair share from the oil boom. The committee recommended raising the government's take from the oil sands, which now account for around half of the province's total oil and gas output, from 47% to 64%. That is less than the world average of 68% for similar deposits.

Even so, Mr Stelmach's move was a departure for Alberta, a province which doesn't blush at being called the Texas of Canada. The provincial government has long enjoyed a close, if not incestuous, relationship with the energy industry. The oil companies had lobbied hard to keep a generous royalty regime put in place a decade ago when oil was $27 a barrel and Alberta's vast oil sands, whose heavy bitumen is expensive to extract, faced an uncertain future. The companies complained that higher royalties would slow the pace of development of the oil sands, potentially stalling the engine driving Canada's economy.

Those threats leave many Albertans cold. They have wearied of the soaring housing costs, strained public services, labour shortages and traffic jams brought about by the rapid development of the oil sands. Peter Lougheed, a former premier who inaugurated the Conservatives' 36-year grip on the province, backed the new royalties and called for a rethink of the pace of development.

However, the new plan is less tough than it looks, according to Pedro van Meurs, who advises governments on royalty regimes. While royalties will now rise in line with the oil price, the government rejected the experts' proposals for other tax changes. The result, says Mr van Meurs, is that instead of the 64-66% cited by the energy department, the government's take from the oil sands will in fact be only around 55% (see chart).



It is also unclear whether Suncor and Syncrude, two companies which together account for almost half of the output from the oil sands, can be persuaded to abandon voluntarily Crown contracts that entrench their low royalty rate until 2016. Mr Stelmach says this can be done, but he has not said how.

The reaction in the financial markets seemed to confirm that the energy companies were protesting too much. Shares in the main oil firms active in Alberta dipped only slightly following the announcement. The headline in the *Edmonton Sun*, a tabloid in Alberta's capital, summed it up nicely: “World didn't end for Big Oil”.

Mr Stelmach's world may be under greater threat, unless he convinces Albertans that he did strike the best deal possible. Having come to power through a party convention rather than a popular vote, he is under pressure to confirm his mandate in a general election. But he is less popular than the folksy Mr Klein. No sooner had Mr Stelmach made his announcement than the provincial government launched an advertising campaign in which the premier said: “I made a commitment and I delivered”. It looks as if the voters may soon be asked to give their view on that.

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Thailand's election

The indestructible Mr Thaksin

Nov 1st 2007 | BANGKOK
From The Economist print edition

Illustration by Claudio Munoz

The Thai junta is struggling to thwart Thaksin Shinawatra's electoral hopes. But being robbed of victory may be a blessing in disguise

Get article background

LIKE Arnold Schwarzenegger battling the indestructible, shape-shifting cyborg in “Terminator 2”, the generals who staged Thailand's coup in September 2006 keep blasting at Thaksin Shinawatra's party, Thai Rak Thai (TRT), only to see it recoalesce and keep chasing them. The party regrouped after the coup, despite the generals' hopes that it would crumble on losing power. Then, in May, a tribunal created by the junta ordered TRT's dissolution, barring Mr Thaksin and 110 other party officials from politics. However, it has simply morphed into a new group, the People's Power Party (PPP), with the same popular policies but a new front-man, Samak Sundaravej, a ferocious right-winger.

Though some factions have abandoned the new party, it is still expected to win more seats than any other in the general election, to be held on December 23rd. At TRT's former headquarters, now the PPP's, Jakrapob Penkair, a party spokesman, sips hot chocolate from a cup emblazoned with the TRT logo, as he explains why they chose Mr Samak instead of a more emollient front-man: “We want a tough guy. Why not? It's a war!”

That Mr Samak is an arch-royalist also helps, says Mr Jakrapob. The generals, also close to the palace, accuse Mr Thaksin of showing disrespect to the revered King Bhumibol. Having Mr Samak on board helps counter such smears. A third, unstated, reason is that the royalist Mr Samak is a rival of General Prem Tinsulanonda, the king's chief adviser and, say Thaksinites, the *éminence grise* behind the coup.

A PPP win, followed by Mr Thaksin's vengeful return from exile in Britain, is the generals' worst nightmare. Would they let it happen? Korn Chatikavanij, a deputy leader of the Democrats—the second-largest party in the last elected parliament—reckons there would be no popular support for another coup. However, this might not stop hardliners from having a try. They have been attempting to scupper the election by whipping up a crisis over a dodgy land purchase by General Surayud Chulanont, the interim prime minister.

Press criticism has forced the army to backtrack on other nefarious schemes, including a proposed law granting it sweeping powers in any future “emergency” of its own choosing. But it continues to do what it can to hobble the PPP's chances. It maintains martial law in many of Mr Thaksin's strongholds in the populous north-east (though this week it was lifted in some districts). The army claims its purpose is to suppress drugs-trafficking and illegal immigration. The PPP says the army has been using martial law as a cover for intimidating its canvassers.

General Sonthi Boonyaratglin, who led the coup, has retired as army commander and quit the Council for National Security, as the junta calls itself. But, as he ponders entering politics, he has had himself made deputy prime minister with a brief of ensuring the election's fairness (sic). Mr Samak has produced a memo—apparently signed by General Sonthi and other junta leaders—discussing plans to undermine support for the PPP and promote army-approved candidates. So far, the council has not denied its authenticity. Having grabbed a big budget increase, the army could probably afford such a campaign.

The election commission has been widely condemned for absurdly stringent new campaign rules, under which candidates risk disqualification for such trivial offences as playing music at their rallies or having posters that are not quite the approved size. This week it agreed to soften the rules. But it will only become clear after the election, when it decides on complaints, how harshly it will enforce them. The commission is ostensibly independent. But it is hard to avoid suspicions that the rules may be applied selectively to eliminate successful PPP candidates.

A new constitution, narrowly passed in a recent referendum, reduces the number of lower-house seats from 500 to 480. The PPP is unlikely to get the crushing 375 seats its predecessor won in the 2005 elections but pundits reckon it could win 180 or more. The Democrats should improve on the 96 seats won in 2005. Mr Korn hopes their promises to continue some TRT policies, such as cheap health care, will win over more voters.

Thitinan Pongsudhirak, a political scientist, says the PPP may come first but be forced into opposition, as the Democrats build a majority by allying with smaller parties. These are mostly an opportunistic rabble of old and new groups, some of which would be just as happy in alliance with the PPP. Two new groups that have gathered some momentum are Puea Pandin (the Motherland Party) and Ruam Jai Thai (Thai Unity), each a curious mixture of ex-Thaksinites and military hard-nuts. Until later this month, when candidates have to register, it will not be clear how many viable contestants each party has—some star politicians are said to be offering themselves to the highest bidder.

Mr Korn argues that Democrat-led governments restored stability in the wake of the last coup, in the early 1990s (which had turned bloody) and after the 1997 Asian economic crisis. But a fractious coalition, struggling with a weak economy, and constantly harried by an angry PPP on the opposition benches, might soon collapse. Mr Thaksin and his party machine—providing they can maintain their air of invincibility—might be happy to let their foes self-destruct before returning, stronger and more determined than ever.

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The Three Gorges

One dam thing after another

Nov 1st 2007 | MIAOHE
From The Economist print edition

Sceptics about the world's biggest hydroelectric dam are being vindicated

Reuters

Reservoir of ill-will

Get article background

PEASANTS in the village of Miaohe on the north bank of the Yangzi River say nothing like it had occurred in their lifetimes, nor those of their parents and grandparents. One afternoon in April, for a few grim seconds, the ground shook beneath them. The Wild Cat landslide, long at rest beneath the terraced maize fields, orange-tree groves and earth-brick houses perched on the steep slope, was stirring.

Experts had long worried about the Wild Cat, 17km (10 miles) upstream from the Three Gorges dam in a narrow stretch of reservoir, in the first of the soaring gorges. Last year a coffer-dam built to protect the main dam during construction was blown up. Monitoring of the landslide zone intensified, for fear that the blast might destabilise it. If the Wild Cat's earth and boulders tumbled down the slope, they could wipe out Miaohe and slam tour boats and barges with giant waves.

Officials have long stressed the dam's benefits: a reduction (some say exaggerated) in flooding downstream; the generation of (very expensive) carbon-free power; and the creation of a 660km-long, navigation-friendly reservoir. The official press has largely ignored the many criticisms of the dam. The authorities have rapidly and sometimes brutally crushed protests by some of the more than 1.2m people moved from the reservoir area, and have often poorly compensated them. Allegations abound of resettlement funds lining officials' pockets.

But in the past few months signs have emerged that, in parts of the government at least, the resolute optimism is wavering. China's state-run news agency, *Xinhua*, was a few days late in reporting Miaohe's problem. When it did, it dutifully cited the official reassurance that there was little imminent risk of the slope's collapse. But it later quoted an official as saying the rise and fall of the reservoir's water level (it was lowered by 11 metres before the flood season began in the summer) had probably caused the tremble—just as experts had forewarned. *Xinhua* failed to report, however, that the risks will mount. The plan is to raise the reservoir next year to its maximum of 175 metres above sea level, and the seasonal variation will increase to 30 metres. This will pose an even greater threat to landslide-prone sites along the reservoir's main stream, of which scholars at South China Normal University wrote in 2003 that there were 283.

In September *Xinhua* got punchier. The news agency quoted “officials and experts” as saying that the dam had caused “an array of ecological ills” and that if preventive measures were not taken there could be a “catastrophe”. They said that the reservoir had started to erode the Yangzi's banks in many places and that frequent landslides had been triggered by changes in the water level. A deputy mayor of Chongqing,

the municipality to which most of the reservoir belongs, reportedly said that banks had collapsed in 91 places. Another official said frequent geological disasters were putting lives at risk. Water discharged from the dam was threatening the safety of anti-flood embankments downstream, according to a deputy governor of Hubei province (of which Miaohe is part).

Xinhua caused even more of a stir last month by reporting that 4m more people would be “relocated” by 2020 because of environmental concerns. This was misleading: Chongqing has long had ambitious plans for encouraging urban migration, but they do not envisage forced relocation and are not related to the dam.

Officials have also started to sound more worried about pollution in the reservoir and its tributaries. The ferry across to Miaohe passes through polystyrene fragments and other scattered detritus accumulating behind the dam. In May *Xinhua* quoted a report by the Chinese Academy of Sciences saying that the reservoir was seriously polluted by pesticides, fertilisers and sewage from passenger boats.

The press's greater openness could reflect political change in Beijing. The dam's construction began in 1993 with strong backing from the country's retired supremo, Deng Xiaoping, and the two top leaders of the time, Jiang Zemin and Li Peng. A museum by the dam displays calligraphy by Mr Jiang and Mr Li and photographs of visits by them. But the current party leader and president, Hu Jintao, and the prime minister, Wen Jiabao, are less in evidence. Mr Wen, who is head of the project's construction committee, came in 2003. There is no photograph of Mr Hu at the site during his five years as party chief.

Some officials are still in denial. On October 15th *Xinhua* quoted Chongqing's mayor as saying that reports of environmental disasters caused by the dam could not stand scrutiny. In Miaohe vigilance appears to have slackened. Last month nearly 100 peasants, who after the tremble had been ordered for safety to shelter in a dark and damp road-tunnel, returned to their homes. Construction of new housing on safer ground, due to be finished in October, will take at least another month.

The peasants expect to keep farming the landslide zone. In an orange grove where a long fissure appeared after the scare in April (no longer visible now), a farmer drops his voice as he grumbles that villagers are not being given enough money to build their new homes. “I don't want officials saying I'm giving away secrets,” he says nervously. Change is slow to reach the villages.

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Australia's opposition

In ruddy health

Nov 1st 2007 | SYDNEY
From The Economist print edition

Halfway through the election campaign, Labor is still favourite to win

Get article background

IN THE campaign for Australia's federal election on November 24th, Kevin Rudd, leader of the main opposition Labor Party, has so far flummoxed the conservative coalition government, under John Howard, at every turn. When a Sydney newspaper published a story in August that Mr Rudd had visited a New York strip club in 2003, during an official visit to the United Nations, Mr Rudd accused the government of planting it. The story, and Mr Rudd's confession that his memory of the evening had been clouded by drink, probably helped him: in the next opinion poll, Labor's standing went up four points. It has continued to soar since.

Mr Rudd began this week, the campaign's third, on the Great Barrier Reef. He promised A$200m ($184m) to help save it from more environmental damage. Then he moved onshore to promise a target for Australia to generate one-fifth of its electricity from wind, solar, geothermal “hot rocks” and other renewable sources by 2020. Mr Howard, seeking a fifth term as prime minister, accused Mr Rudd of endangering Australia's coal industry, one of its biggest exporters. But opinion polls still suggest Mr Howard's 11 years in power may be about to come to an end.

On October 30th Newspoll, a polling body, gave Labor an eight-point lead after distribution of second votes under Australia's preferential system. A demoralised government took heart from this, since it cut by half Labor's 16-point lead of a week earlier. But the new poll aligned Labor's lead with the results from two other polling organisations recently. Labor has comfortably beaten the government in all polls since January. It needs a swing of 4.8%, and a gain of 16 seats, to form a government in the 150-seat House of Representatives.

Against a seasoned campaigner such as Mr Howard, this is still a tough job. But Mr Rudd's advent as Labor leader last December seems to have put the party within striking distance of pulling it off. Since Mr Howard defeated Labor in 1996, the party has wobbled its way through three other leaders (one of whom served twice). Mr Rudd has broken all their moulds. He grew up in the 1960s on a farm in southern Queensland. After his father's accidental death, he and his mother had to leave the farm and sleep on one occasion in a car. These grim events, he says, propelled him towards a later life in politics. He shone as a student, took a degree in Chinese and became a diplomat in Beijing. He returned to Queensland where he ran the cabinet office in a state Labor government.

Although Mr Rudd entered the federal parliament only in 1998, he set out to create an impression that he had been around forever. While shadow foreign-affairs spokesman, he popped up at art gallery openings in Sydney, bookshop debates and almost any venue guaranteed to draw a crowd. His big coup was to snare a weekly spot on a breakfast television programme, where he chatted and laughed with Joe Hockey, an amiable government minister. This gave Mr Rudd a human face in Australia's suburban heartland, a territory Mr Howard once claimed as his own.

Commentators almost unanimously awarded Mr Rudd victory in the campaign's only head-to-head television debate with Mr Howard on October 21st. At 50, he looked both youthful and polished against an occasionally rattled prime minister who is 18 years his senior. Mr Rudd's campaign strategy has been to avoid fighting Mr Howard on economic management, the government's biggest strength. He says he, too, is a “fiscal conservative” and promises to deliver budget surpluses. Instead, he has focused on areas where he says a Labor government would change things. It would abolish the government's workplace laws, which remove the last vestiges of union power, and pour more money into education. It would also ratify the Kyoto Protocol on climate change. More than any other issue, Labor has used Mr Howard's refusal to ratify Kyoto to feed its image of him as a leader wedded to bygone attitudes.

Mr Rudd also pledges to withdraw Australia's 500 ground troops from Iraq and to give more attention to

Australia's Pacific island neighbours, where he says poverty opens a breeding-ground for terrorism and HIV. At a summit of Asian and Pacific leaders in Sydney last month, Mr Rudd upstaged Mr Howard by conversing publicly in fluent Mandarin with Hu Jintao, China's leader. All this has gone down well with voters. Since February, Mr Rudd's approval rating has not fallen below 60%; Mr Howard's has not risen above 47%.

Mr Howard is now painting Mr Rudd as a prisoner of the trade unions, Labor's traditional power base, in an era when only one-fifth of Australian workers belong to unions, and even fewer in the private sector. It may still work. Yet if Mr Rudd can maintain his campaign's tight discipline, Labor may at last have found a leader to take it back to power.

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Myanmar

Monks march again

Nov 1st 2007 | BANGKOK
From The Economist print edition

AP

Faint glimmers of hope as the UN's envoy returns

Get article background

THREE days before the United Nations' special envoy to Myanmar, Ibrahim Gambari, was due to return to the country, Buddhist monks in the central town of Pakokku staged a small march, around 100-strong, on October 31st. They did no more than chant prayers. But it was an unmistakable gesture of defiance, suggesting that the military regime has not quite bludgeoned the life out of their uprising.

It was in Pakkoku, a seat of religious learning with over 80 monasteries, that the army's heavy-handed treatment of a group of monks set off September's massive, clergy-led protests in the country's main cities. The regime came down hard, shooting at protesters, storming monasteries and making mass arrests.

The monks' reappearance was one of several faint glimmers of hope that the uprising, unlike the last big one in 1988, might achieve something. On October 25th the pro-democracy leader, Aung San Suu Kyi, was taken from her house arrest to meet Aung Kyi, the regime's recently appointed go-between. State television showed a grinning Mr Aung Kyi and a stony-faced Miss Suu Kyi (see photo) but disclosed nothing about their talks. Dozens of members of Miss Suu Kyi's National League for Democracy, along with monks and other protesters, have been freed from jail since Mr Gambari ended his first, four-day visit, in early October. The regime has also agreed to let another UN official, Paulo Sérgio Pinheiro, charged with investigating human-rights abuses in Myanmar, make his first visit in four years.

Mr Gambari's tour of Myanmar's Asian neighbours produced few signs that they would increase their pressure on the regime. But America's latest sanctions scored a modest hit: Air Bagan, owned by a regime crony, ceased flights to Singapore after its bank there stopped doing business with the airline.

Human Rights Watch, a lobby group, said this week that rising desertions were forcing Myanmar's army to recruit boys as young as ten. The army and the ethnic-minority militias it fights have long press-ganged children. But the army's brutality against respected monks may have made it harder still to retain volunteers. Little is known about dissent in the army's ranks. But the reluctance of Myanmar's neighbours to apply real pressure may make the collapse of the regime from within a better hope than change enforced from without.

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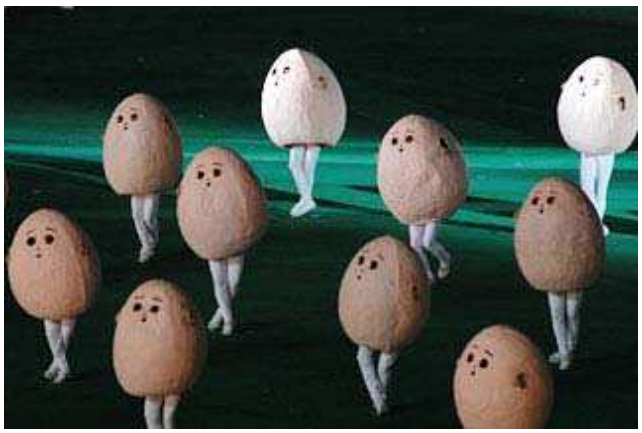
Holidays in North Korea

Sun, sex and Stalinism

Nov 1st 2007
From The Economist print edition

Tourists bring back tales of life in Kim Jong Il's grim theme park

Corbis



All of Kim's horses and all of Kim's men

Get article background

GLOBAL capitalism has worked many wonders, but where in the free world can one see 10,000 children dancing in synchronisation, dressed as eggs? Such weirdness makes North Korea, a basket-case state, a must for a certain sort of backpacker. Tourist visas have been available for years; there is even a Lonely Planet chapter on the country. Some 2,000 Westerners will visit in 2007—a tiny number, but about four times the total in 2002.

Tours are tightly marshalled so that only highlights such as the “Mass Games” performance, home of the dancing eggs, are widely reported. Visitors must normally provide references proving that they are not journalists. But details are seeping out: blogs, Facebook groups and customisable Google Earth maps have made reporters of everyone and offer channels for unauthorised news from the closed country.

Many travellers harp on the propaganda: blocks of flats are topped with neon exhortations to “turn a corner in the economy” and suchlike, and murals depict hearty workers striding forward, perhaps trampling a star-spangled banner or two as they go. At Pyongyang's “Kaeson Youth Funfair”—home of the world's most genuinely frightening rollercoaster—the crossbow stall's painted targets are of big-nosed American soldiers and glowering Japanese. It seems that the tourist board realises the ironic appeal of such things: painted replicas of some of the most over-the-top bits of propaganda are for sale, and a post office does a roaring trade in stamps depicting mighty fists crushing Western imperialist aggressors. (Oddly, there is also a Princess Diana commemoration set.)

The patriotic propaganda mainly seems to be in earnest, however, especially where the country's leaders are concerned. Portraits of Kim Il Sung, the founder of North Korea, and Kim Jong Il, his son and the current leader, still beam down from every street corner. One must not fold one's *Pyongyang Times* if a Kim is on the front page, as is invariably the case. Even at the “flower show”, a regular stop for tourists, the entire plant nursery is dedicated to *Kimjongilia* and *Kimilsungia*, the leaders' respective blooms.

Every North Korean citizen sports a plastic lapel badge bearing the face of one or other of the Kims. A few years ago it was reported that production of Kim Jong Il badges was to cease, and factories were to churn out only the Kim Il Sung variety. Now hardly anyone wears a Kim junior badge. Similarly, paintings of Kim senior outnumber those of his son by two to one, and there are no statues of the latter. Kim the younger is instead often depicted by the blood-red *Kimjongilia* begonia. The official explanation is that he is simply a modest sort of chap. His unfortunate looks may have something to do with it (though many North Korean men diligently copy his exotic bouffant hairstyle). Or perhaps he is preparing the ground for a

successor?

Most Westerners are put up in a hotel on a river island, an Alcatraz of fun that they may not leave unescorted. To keep curiosity at bay there is a swimming-pool, a bowling-alley, a putting-green and two saunas (one hot; one seedy). But the hotel also provides a vantage-point: photos from the top-floor revolving restaurant give a good picture of the bleakness of Pyongyang. Most striking is the architectural uniformity. American bombs pulverised the city during the Korean War, so not much is more than 50 years old—and hardly anything has been built since the early 1990s, so stagnant is the economy.

The rooftop view also provides some encouragement. Dotted about the city are several blue-roofed halls, a bit like aircraft hangars. Inside, away from the eyes of tourists, are experimental free-trade areas, where citizens can buy and sell goods for cash, something unheard of until recently. The halls are strictly off-limits for tour groups but are humming with locals. Though official tours take in monuments, museums and mass dances, it may be that these little hives of activity are the most exciting parts of present-day North Korea.

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Kenya

Could the president be ousted?

Nov 1st 2007 | LIMURU
From The Economist print edition

EPA

Opinion polls suggest that Kenya's voters could produce a rare shock

AMONG the candidates standing for the parliamentary seat of Makutano Junction, a small town on a road out of Nairobi, the capital, are Hope Baraka, a young single mother, and Harrison Matata, the rich incumbent. Ms Baraka (her name means “blessing” in Swahili, the country's lingua franca) was a nurse with the United Nations before coming back home to the town, which is a bit more prosperous and orderly than the Kenyan average. Her bid for parliament has persuaded many Kenyans, not just in Makutano Junction, that women deserve a bigger say in Kenyan politics. Mr Matata (literally, “trouble”) hardly ever sets foot in his constituency. He stands accused of theft, electoral fraud and roughing up Ms Baraka and her supporters. Still, the election is likely to be close and millions of Kenyans will be gripped by the outcome.

If party affiliations are fuzzy and the names too good to be true, it is because Makutano Junction is the imaginary site of a soap opera on Kenya's state television. Its election will run parallel to Kenya's real general and presidential ones, now set for December 27th. The show is watched by some 5m out of Kenya's 9m or so viewers (in a population of around 35m). Many of its fans are undecided rural voters.

The show may even influence the real election. Opinion pollsters say the vote may be Kenya's closest ever. As in Makutano Junction, there are two leading contenders: Raila Odinga, aged 62, a sharp orator who is a son of Kenya's controversial first vice-president, and Mwai Kibaki, 77 this month, the modernising but ailing and sometimes sleepy incumbent.

Exactly who is hope and who is trouble is an open question. Mr Kibaki, a Kikuyu, is running on the platform of the newly-formed Party of National Unity (PNU), a loose grouping whose stronghold is the Central province (see map), the country's richest region, which is ethnically mainly Kikuyu. Mr Odinga's Orange Democratic Movement (ODM) is proving popular in the Western province, the Coast, the Rift Valley and Nairobi.

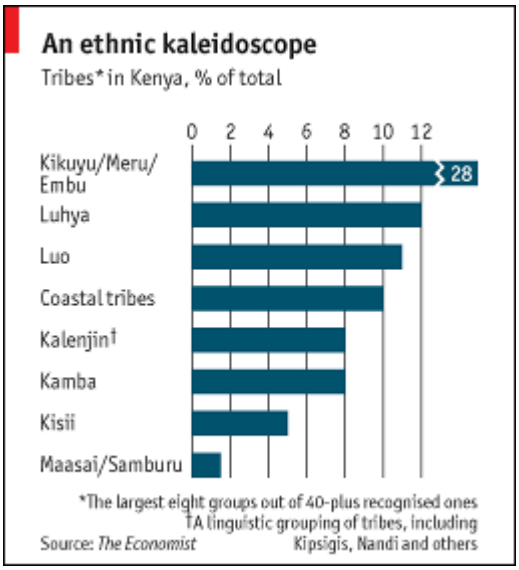
If the opinion polls are to be believed, Mr Odinga has a chance of toppling Mr Kibaki. The latest poll gives him 50% to Mr Kibaki's 39%, with 8% backing Kalonzo Musyoka, who also sought to lead the ODM and is now a spoiler. Yet Mr Kibaki cannot be written off. Despite his shaky health, many old hands still expect him to hold on to his job at the last ditch after disbursing vast dollops of cash and promises of patronage, and by assuring people that Kenya would be more stable if he stayed on.

But Mr Odinga appears to have the momentum. He is plainly the candidate of faster change. But he is as controversial—and many say as divisive—as ever, like his late father, Oginga Odinga. He tells of plots to assassinate him. Since independence in 1963, several of Kenya's leading opposition politicians have been killed, and Mr Odinga's father was put in prison for two years for challenging the founding president, Jomo Kenyatta, a Kikuyu.

But, in a striking departure, the latest polls contradict a long-accepted belief that a Luo, which Mr Odinga proudly is, cannot be elected president. A bitter joke among the Luo is that the Americans will elect a Luo president—a reference to Barack Obama's father—before Kenya does.

Kenyan politics remain fiercely tribal (see chart). The rules say that a winning presidential candidate must get at least a quarter of votes cast in at least five of Kenya's eight provinces, to prove that he (no chance yet of a she) has a modicum of support across the land. Mr Odinga has promised, if he wins, to make a leading Luhya, the second largest tribe, his vice-president. He has made it pretty plain that he thinks the Kikuyus have gobbled up too much of the economic cake for too long. And he has been assiduous in courting people on the poorer edges of the country, including the country's many Muslims, many of whom dislike Kenya's alliance with the West in its “war on terror”.

Mr Kibaki, for his part, has won the backing of the former president, Daniel arap Moi, a Kalenjin. But that may be a mixed blessing in view of the vast corruption that marred Mr Moi's long presidency from 1978 to 2002. Kenyatta's son, Uhuru, has also swung behind the incumbent.



In any event, Mr Kibaki and his PNU have been rattled by the efficiency of Mr Odinga's Orange machine. The Orange “Pentagon”, as the clutch of opposition leaders around Mr Odinga is called, looks solid. By contrast, the presidential party is a hotch-potch of Kikuyu loyalists and remnant parties that have gravitated to Mr Kibaki, often in the hope of staying close to the cash-dispenser. It has yet to choose its parliamentary candidates. If Mr Kibaki's inner circle handpicks the candidates, disappointed figures may defect to Orange.

So far, the PNU has responded to Mr Odinga's apparent popularity by trying to scare the voters. Mr Odinga, it says, would upset the financial markets. He is accused of being an unreconstructed leftist. Mr Kibaki's supporters give warning that Orange's plans for devolution would see Kenya collapse into tribal violence and even secession.

Not much of this, so far, has stuck. Mr Odinga, who backed Mr Kibaki at the last presidential poll, has brushed off charges that his East German schooling and socialist family background will make him a wrecker of banking or business. His family has its own considerable business empire. He endorses privatisation and even such things as road tolls. He wants tax holidays for foreign investors. He calls himself a “social democrat, a social capitalist”.

But questions remain about Mr Odinga's character. Even his supporters admit he is volatile. Some neutrals think him authoritarian. Few of his top Oranges are spotless; though he inveighs against corruption, several of them face allegations of graft. Many, including Mr Odinga, served as ministers in Mr Kibaki's government, which has disintegrated since 2002.

Moreover, the president can point to genuine successes. The economy is growing fast, his government has brought in free primary-school education and now promises free secondary schooling too. More tax revenue is being collected. Kenyans are freer to speak their mind, not least to a host of new private radio and television stations. The mood of the country, especially among the growing middle class, is happier than it was under Mr Moi.

Much depends on which side manages to frame the debate. Mr Odinga will hammer away at Mr Kibaki's broken promises, particularly on corruption, which has gone disgracefully unpunished. The vote of the suave Mr Musyoka, a Kamba, may also be pivotal. If suitably rewarded, he may yet swing behind Mr Kibaki.

Charles Bukeko, who plays the dishonourable Mr Matata in Makutano Junction, says that voters in his parent's real constituency, on the border with Uganda, will throw out their MP, the vice-president, Moody Awori. “He's done nothing for us,” says Mr Bukeko. “There's still no piped water, the roads are pathetic. This time the voters will be looking at the person.” It is at least conceivable that they could risk chucking out the top man, too.

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South Africa

The rise of the buppies

Nov 1st 2007 | JOHANNESBURG
From The Economist print edition

The economic and political consequences of the black middle class

EPA

On the way up, in Maponya's mall

Get article background

THIRTEEN years after the first democratic elections, signs of the growing affluence among South Africa's black majority—once largely deprived of wealth and opportunities by apartheid—are increasingly visible. In small pockets of Soweto, Johannesburg's biggest township, smart houses and fancy cars are no longer rare—and Soweto's house prices are going up at a dizzying speed, by 39% in the past year, more than double the national average.

As a tribute to this new black spending power, Soweto's vast Maponya mall was recently opened by Nelson Mandela. It boasts an eight-screen cinema and chic retailers usually found only in Johannesburg's rich (and still mostly white) suburbs. On a continent still divided between the poor masses and a tiny but very rich elite, South Africa's black middle class, sometimes—not always affectionately—known as “buppies” (black up-and-coming professionals), is on the rise.

Makwena Poopedi is part of this new middle class. She grew up in the Katlehong township east of Johannesburg, but moved to one of the city's formerly white districts 11 years ago. She started her own beauty salon there and is now having a house built in a new residential development north of the city, the first she will own after years of rented flats. She also helps support her mother and her sister's two children, who still live in Katlehong but go to school in more affluent suburbs miles away, where education is better.

The University of Cape Town's Unilever Institute of Strategic Marketing says there are now 2.6m “black diamonds”, as it calls the black middle class, a 30% increase in less than two years. Included in the definition are working professionals; those who own things such as cars, homes or microwave ovens; university students; and those who merely have the potential to enter these categories. The survey estimates that these black diamonds represent 12% of South Africa's black adults, and make 180 billion rand a year ($26.2 billion), or 28% of the country's (and more than half of all black South African) buying power.

For some, such as Lawrence Schlemmer, a sociologist in Cape Town, this definition is far too broad to be meaningful. He agrees that numbers are rising fast but argues that they are still tiny. Last year, he says, only 322,000 black South Africans (less than 1% of the black population of 38m) could be deemed “core”

middle class, a far cry from 2.6m black diamonds.

Still, whatever their size, the buppies are affecting the economy and the political landscape. They have fuelled a shopping spree and property boom in the past few years, which have speeded up economic growth. New affluence and access to credit have bought cars, fridges and DVD players, often for the first time. A high priority is buying a new home: the Unilever Institute reckons that, since 2005, about 50,000 people a month have moved out of townships into more affluent neighbourhoods, where almost half of the black diamonds now live, against 23% in 2005.

The end of socialism?

This, in turn, is making the ruling African National Congress (ANC) into an ever broader church, where working-class communists now rub shoulders with very rich capitalists. Though the party's leaders say the ANC still retains its “working-class bias”, others disagree. The Centre for Development and Enterprise, a think-tank, reckons the black middle classes remain suspicious of private business: over half of them apparently believe that it causes poverty by exploiting black workers, and four out of ten say that the government should control it more tightly. Zwelinzima Vavi, secretary-general of the Congress of South African Trade Unions, the ANC's political ally, says that the party's leadership no longer reflects its mainly poor and working-class supporters, and that its economic policies favour business.

This may chime with another frequent observation. The government's policy of black economic empowerment, a form of affirmative action that is meant to redress apartheid's injustices, has spurred the growth of the black middle class. But some people (for instance, the South African Institute of Race Relations) say it has limited the new class's independence from the ruling elites—an independence which, it is argued, is essential for consolidating democracy and bolstering a political opposition. Provocatively, the institute suggests that this mirrors much of the white middle class's acceptance of racial and authoritarian policies under apartheid.

In this sense, South Africa's buppies may differ from Western yuppies. Few of them are self-made entrepreneurs. And it remains to be seen how much more the black middle class can grow. Poor education limits the social mobility of far too many South Africans: 57% of them live on less than 3,000 rand ($437) a year, and between 25% and 40%, depending on definitions, have no proper job.

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Somalia

Failed state, failed leader

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From The Economist print edition

A country still dangerously adrift

Get article background

THE prime minister of Somalia, Ali Mohamed Gedi, has bowed out after a year of rivalry with the country's president, Abdullahi Yusuf—in the interest, he says, of national unity. In his resignation speech, Mr Gedi said he had survived five assassination attempts in three years at the helm. A veterinarian, he has seen his share of bone-crunching. His father was a colonel in Somalia's intelligence service during its steadier Soviet-backed years, a trade Mr Gedi may also have dabbled in.

It was probably the prime minister of next-door Ethiopia, Meles Zenawi, who advised Mr Gedi to go. The pair are close. In his days as a rebel fighter, Mr Zenawi was protected by Mr Gedi's father. Mr Gedi belongs to the Hawiye clan, the most powerful in Mogadishu, Somalia's ravaged capital. He has been unpopular with Hawiye elders, some of whom have Islamist sympathies so are hostile to Somalia's feeble, Ethiopia-backed government. It is unclear whether or not his exit will make it easier for Mr Yusuf, now squarely in charge, to strike a deal with the Hawiye to deprive jihadist fighters of clan support and shelter.

Mr Gedi flew straight out of Somalia to Kenya, the speed of his departure showing how even the toughest patriots are loth to build a life in Mogadishu. Most educated emigrés return without their children, as life for them is getting worse. The UN says school attendance has collapsed; malnutrition and cholera are common.

The all-out fighting that ripped through Mogadishu in the spring has not resumed, but the seaside city remains violent. Jihadist rebels pin down Ethiopian troops and peacekeepers from Uganda, the only country willing to send troops under the aegis of the African Union. The failure of moderate Islamists to create a plausible negotiating position at a recent meeting in Eritrea may have strengthened the armed radicals, who hope to foment a holy war with “Christian” Ethiopia. The threat is not restricted to the Horn of Africa. British intelligence says that Somali jihadists may be involved in future terrorist attacks on Britain and elsewhere, as they have been already.

The recent killing of yet another Somali journalist illustrates the chaos. Bashir Nur Gedi (no close relation) was the eighth journalist to be murdered in Mogadishu this year. Other Somali reporters have gone into hiding or left the country; both the government and Islamists have targeted them for trying to report freely.

A sharp increase in piracy is also telling. During their time in power last year, Islamists managed to curb attacks on foreign vessels. Now they are back up to record numbers. The Americans pursued two ships hijacked by pirates this week, one of them a North Korean freighter whose crew managed to kill two of the pirates before the Americans arrived. There is no sign yet of a French naval escort promised by France's new president, Nicolas Sarkozy.

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Africa and football

Neo-imperialism at the point of a boot

Nov 1st 2007 | NAIROBI
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The English premiership sweeps all before it

IN THE back room of a Somali mosque, a conservative Muslim cleric explains the finer points of a religious state. There is no *qat* (the local narcotic) on hand, as there often is in the homes of secular Somali politicians. But this man of God has another weakness. On the wall behind him, beside a framed Koranic quotation and a newspaper cutting about Osama bin Laden, is a glossy poster of a footballer, Thierry Henry, in the red strip of London's Arsenal club. Yes, concedes the clergyman, supporting Arsenal is another kind of religion.

As in Somalia, so it is across the rest of Africa. Every week, far from England's freezing winter drizzle, tens of millions of Africans settle down in video shacks, bars and homes to watch the latest matches between England's top 20 football clubs. Julian McIntyre, head of GTV, an African satellite broadcaster, says that most of his customers sign up to watch sport; 95% follow football. So he decided to buy the rights to English football, then build an African television network around it.

Except in Nigeria and South Africa, which have separate deals, GTV will show 80% of English premier-league matches in sub-Saharan Africa this year. The other 20% will be given free to Africa's state broadcasters.

Africans tend to support either Arsenal, Chelsea, Liverpool or Manchester United. Arsenal is probably Africa's most popular club, Man Utd dominates in southern Africa, Chelsea is gaining ground in west Africa, while Liverpool is the team most Googled.

Why are the English matches more popular than Spain's and Italy's, which are just as skilful? Perhaps England's pedigree as the home of football helps. So does the hectic pace and larger input of foreign, especially African, talent; at least 50 footballers from the continent play in the premiership. Indeed, some Africans say their footballers have been plundered much as Africa's raw materials have been. The premiership has certainly harmed the popularity of Africa's own leagues. Some, such as Kenya's, have all but collapsed.

Africa already has the premiership's largest fan base, outstripping Asia's, though so far Africans have been too poor to affect the league's finances. But that may be changing. Barclays, a British bank and the premiership's global sponsor, is determined to lure new customers across Africa. Mobile-phone companies are starting to get African supporters to pay to get football-related texts, and in some countries fans may soon be able to watch their team on their telephones.

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Sudan

Darfur bleeds as talks fail

Nov 1st 2007 | SIRTE
From The Economist print edition

The rebels mess up a badly arranged peace conference

Get article background

APPEARANCES, at least, were impressive. In the vast marble conference centre of Sirte, in northern Libya, the Great Leader of the Revolution, as Muammar Qaddafi is officially known, seemed to have assembled the whole world to solve the crisis in Darfur, Sudan's ravaged western region. Special envoys from the UN, the African Union (AU), the European Union, the Arab League, Britain, China, Egypt, Eritrea and the United States attended. The Sudanese government sent the biggest delegation. There was a healthy sprinkling of young men in battle fatigues and fashionable khaki head-scarves: the rebels.

But within a few days the conference had petered out in disarray. As soon as proceedings got under way, things began to fall apart. Though they looked fetching, the wrong sort of rebels were there. Less than half showed up; many of those that came were marginal. The big men, who command loyalty and weapons on the ground in Darfur, pointedly stayed away.

This was an indignity too far for the Great Leader, who had staked a lot on getting recalcitrant rebels to the negotiating table. He gave a surreal, waspish speech, arguing, among other things, that the Sudanese government was sovereign, so had every right to do whatever it wanted in Darfur. He then walked out, bringing to an end any real Libyan involvement.

The UN and AU co-chairmen of the talks put on a brave face, but it was plainly impossible to have serious negotiations when one side—or a large part of one side—was absent. Since the Darfur rebel groups have split into a good 14 factions, it is their divisions that have become the main obstacle to starting a peace process, let alone negotiations with Sudan's government. If anything, the jamboree in Libya may have worsened things by further dividing the rebels into those who got a pat on the back for coming and those who did not.

The UN is now sending emissaries to the various hold-out rebel groups in Darfur, to try and bring them into talks. This may take several more weeks. So the UN and the main foreign countries involved in Darfur (Britain, France and the United States) may have to do things the rebels' way—and make a lot of tiring, dusty trips into the bush and back. The Western trio is trying to force the pace because the UN's huge peacekeeping force (around 26,000-strong, including troops provided by the AU) is meant to arrive in Darfur before the end of the year. The UN force's task will be much harder if there is no peace at all to keep on the ground. But forcing the pace could anger and divide the rebel factions, dimming peace

prospects in the long run.

A particular tragedy of Sirte was that the only people left looking good were representatives of Sudan's government, which has been responsible for almost all the mass killing and ethnic cleansing in Darfur. The government declared yet another unilateral ceasefire to claim the moral high ground, turned up in numbers, apparently to negotiate in good faith, and sounded calm and conciliatory.

By contrast, the rebels annoyed foreign delegates either by not turning up or being obstructive when they did. And they are losing the moral high ground by making their own deadly attacks in Darfur. To be fair, the rebels said all along that they were not ready for a peace conference without conditions; some were bounced into it, while leaders of the bigger factions stayed away. But it was not their best week.

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Iraq

Al-Qaeda in retreat, for now

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From The Economist print edition

An American general is cautiously hopeful

Get article background

REMEMBERING their president's “mission accomplished” banner in the summer of 2003, American generals are very wary of declaring success in their campaign to beat the Iraqi insurgency. More often they claim slow and spotty progress, always leaving open the possibility of sudden reversals. Recently, however, senior officers have become distinctly more upbeat. The overall commander in Iraq, General David Petraeus, says that the Iraqi al-Qaeda network, the Americans' main foe in the country, has been “significantly reduced”.

He cautioned that al-Qaeda may yet “come back off the canvas and land a big punch”; perhaps he was thinking of how the demolition of a Shia shrine in the town of Samarra early last year caused a splurge of sectarian violence and helped al-Qaeda to rebound from a previous rough patch.

But the recent numbers do raise American and even Iraqi hopes. In October, 36 American service people were killed, the lowest toll since March 2006, down from 65 in September and 126 in May. Iraqi civilian deaths are down too. A tally compiled by Iraqi Body Count, a fastidious anti-war lobby group, from press and morgue reports will probably reach around 1,200 deaths: still a terrible toll, but fewer than the 2,500 victims in August and 3,000 in July.

The dip stems probably from a combination of increased American troop numbers and Sunni disillusionment with al-Qaeda's extremism and brutality. In the past, the Americans lacked the numbers to garrison Sunni districts properly, letting al-Qaeda intimidate the locals and act as their protectors against marauding Shia militias. Now, the Americans can fight their way into former al-Qaeda strongholds and hold them long enough to set up Sunni paramilitary guard forces of “concerned citizens”, in military parlance.

General Petraeus says that al-Qaeda no longer has any strongholds in Iraq. But its decline does not mean that Iraq is becoming stable. Iraq's politicians have yet to pass the legislation that the Americans hope will reconcile the country's feuding ethnic-sectarian factions. But the American “bottom-up” strategy of trying to persuade Sunnis to acquiesce in the new Shia-dominated order by dispensing patronage to the tribes and other local networks makes the “top-down” reconciliation between the country's leaders less crucial, at any rate in the short run.

The general admits that al-Qaeda's apparent retreat has left eddies of what he calls “mafia-like” activity, such as extortion and kidnapping, in its wake. And Iraq is still awash with armed groups fighting each other for territory, political power and a share of the oil money that is sloshing about. Insurgents, gangs and militias will terrorise ordinary citizens, foster corruption, provoke middle-class flight, deter investors and generally plague the country for some time to come—unless and until the politicians find a peaceful way to accommodate all the country's main groups.

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Germany's government

The odd couple

Nov 1st 2007 | HAMBURG
From The Economist print edition

Illustration by Peter Schrank

The grand coalition's junior partner, the Social Democrats, improve their prospects—at the expense of the government's

Get article background

KURT BECK has been chairman of the Social Democratic Party (SPD), the junior partner in Germany's grand coalition government, since May 2006. But only now has the party crowned him. Colleagues asked if his homespun ways and rustic accent befitted the leader of Germany's oldest political party. The SPD's modernising ministers paid him little heed. Yet at the party convention in Hamburg between October 26th and 28th, over 95% of delegates voted to re-elect him. Newspapers dubbed him “King Kurt”.

Mr Beck has won the accolade by pulling the SPD out of a tailspin. As the party responsible for the unpopular Agenda 2010 reforms of Chancellor Gerhard Schröder, and now as part of a coalition with the Christian Democratic Union (CDU), which portrays compassionate social policies as its own, the SPD has been haemorrhaging members and votes for years. Mr Beck has given it a glimpse of redemption by proposing to pay unemployment benefits to older workers for a longer period, a partial rollback of Agenda 2010. Delegates cheered this rediscovery of the party's roots; sceptics held their tongues.

The party's new friskiness promises to make life uncomfortable for Angela Merkel, the CDU chancellor. Getting ahead of Mr Beck, the SPD has booby-trapped the planned privatisation of the federal railway, Deutsche Bahn, endorsed a speed limit on motorways and (with his blessing, this time) called for a minimum wage. Its leaders, having made up with each other, are warming up for the federal election in 2009 by laying into Ms Merkel. Her response will be to try to preserve her popularity but fend off pressure for policies she sees as economically senseless. This is not a recipe for progress with reform.

On unemployment benefits she is likely to offer conditional surrender. Mr Beck's proposal—to extend the payment period from 12 months to 15 for jobless people over 45 and to 24 months for those over 50—is popular. Tax revenues are buoyant, so the government cannot plead poverty. Moreover, the CDU has already endorsed a version of the same policy. Ms Merkel wants to contain its cost, which could reach €2.9 billion ($4.2 billion), says the Federal Labour Agency (the SPD insists it will cost far less). More money for welfare means less for investment and tax cuts, or a smaller financial cushion to soften the effects of a slowing economy.

However it is financed, the government will be weakening one of the pillars of Mr Schröder's Agenda 2010 reforms, enacted in 2003-05. Offering extended unemployment benefits to older workers discourages them from seeking work and promotes early retirement, notes Klaus Deutsch of DB Research, part of

Deutsche Bank. With the shortening of the payment period under Agenda 2010, joblessness has fallen by more than average among older workers during the economic upswing. That may now change.

In some other areas, the SPD's new assertiveness may produce gridlock, not retreat. Deutsche Bahn, which faces a liberalised European market, may not issue voting shares to outside investors, the party has decided. That could be fatal to its privatisation. The CDU is likely to block an economy-wide minimum wage, which would destroy jobs. What does not get through is likely to become the stuff of the 2009 election campaign.

Is there any point, people may start to wonder, in prolonging the grand coalition until then? The odds are that the partners will say yes, for reasons of both policy and politics. The common ground between the two parties has shrunk, but it has not quite disappeared. There is still room to stimulate employment by cutting payroll taxes, one of the CDU's pet projects. The coalition may find a formula for reforming the inheritance tax. It is working on a second phase of federal reform, limiting states' debts and giving them more tax-raising powers. Both big parties have made energy efficiency a priority.

The SPD indulged its political appetites in Hamburg; now its ministers will return to the hard grind of governance, predicts Richard Stöss, a political scientist at Berlin's Free University. Germans approve of grand coalitions, however uncomfortable they are for the politicians involved. Whoever pulls the plug prematurely risks being punished by the voters, Mr Stöss argues. There is “no question” that the coalition will survive until 2009, insists Niels Annen, a member of the SPD's left wing.

But from now onwards the partners' preoccupation will be to seduce as broad a swathe of the electorate as they can, which means reaching out to the middle as well as cultivating their bases. The notion that the SPD has lurched to the left is “outrageous nonsense”, says Mr Beck. Yes, the party's newly minted basic programme reaffirms democratic socialism, but it also endorses “sustainability”, of the financial as well as the ecological sort. Although the SPD may still want to tweak the Agenda 2010 reforms, the basic carrot-and-stick principle behind them has not been abandoned, the party insists.

For now, though, the middle belongs to Ms Merkel. Her approval rating is close to 70%. The record of grand coalitions at state level suggests that political credit for whatever they achieve goes mainly to their senior partners. To oust Ms Merkel from the chancellorship in the next election, the SPD would have to win almost 40% of the vote. Despite the Beck revival, it is still far from achieving that.

The main risk to Ms Merkel is that she could lapse into irrelevance. Until now she has prospered by showing strength in foreign policy and deftness in managing the coalition's internal divisions. If they now start to paralyse the government, or drive it in the direction set by the SPD, she will lose her image as a leader capable of rising above political adversity. “She has to be with the people, but not with the SPD,” says Wolfgang Nowak of the Alfred Herrhausen Society, a group linked to Deutsche Bank. The best opportunity to strike back at its rejuvenated rival may come next month, when the CDU holds its own convention in Hanover.

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Commemoration in Germany

Past recalled

Nov 1st 2007 | BERLIN
From The Economist print edition

Quarrels over a plan to commemorate German expellees from the east

Get article background

SOME 12m ethnic Germans were expelled from their homes in eastern Europe after the second world war; tens of thousands died. Those who settled in Germany have long wanted a central memorial to their tragedy, but the enormity of the Holocaust and tricky regional politics have kept them waiting. On October 22nd Germany's chancellor, Angela Merkel, used the 50th anniversary of the Union of Expellees to announce government plans for a documentation and exhibition centre on refugees and expulsions.

Will this satisfy the lobbies with the keenest interest? Erika Steinbach, head of the expellees' group, professes to be pleased. The state has “done its job” by agreeing to create a centre of memory for victims of expulsion, she says. Yet a federal place of mourning is just what Ms Steinbach's critics want to stop. Anything that likened their plight to what befell Jews, gypsies and other victims of Nazi genocide would distort history and offend many. And an official monument that implied guilt on the part of countries that expelled them could enrage the Polish and Czech governments.

Ms Steinbach, a member of Ms Merkel's Christian Democratic Union (CDU), has fanned such suspicions with her blunt advocacy of the expellees' claims. Ask her who was responsible for their tragedy, and she instantly says it was the countries that pushed them out. She has “wrecked our relations with Poland”, says Wolfgang Benz of the Centre for the Study of Anti-Semitism in Berlin.

The document centre, under the aegis of Berlin's German History Museum, is meant to avoid controversy. It would deal with expulsions in general, not only those of Germans. Nor would it be at all like Berlin's Holocaust memorial. “There can be nothing against a scientific centre,” says Mr Benz. The CDU's partners, the Social Democrats, want Ms Steinbach to have nothing to do with the centre. Poland's recent election, which ousted the nationalist prime minister, Jaroslaw Kaczynski, in favour of Donald Tusk, a moderate, may help.

Commemorative fashions go in cycles, says Gavriel Rosenfeld, a historian at Connecticut's Fairfield University. Shortly after the war urban memorials commemorated mainly Germans themselves, including victims of Allied bombing. That began to change in the 1960s, and even more in the 1980s, when the political climate made it seem more appropriate to concentrate on the Nazis' victims. Now, after several books about post-war suffering and the new documentation centre, Germans may return to themselves. The latest example: a defence ministry plan for a memorial to the 2,600 German soldiers who have died for the federal republic.

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The Madrid bomb trials

Historic verdicts

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Spain's political debate may at last be moving from the past to the future

Spain's political debate may at last be moving from the past to the future

TERRORIST attacks are meant to spread confusion. The train bombings that left 191 dead in Madrid on March 11th 2004 certainly did that. They also helped to change the government. Just three days later, Spanish voters unexpectedly elected a Socialist government, with José Luis Rodríguez Zapatero as prime minister. The outgoing People's Party (PP) government, which tried to blame the attacks on the Basque terrorist group, ETA, was dumped.

The confusion has continued to haunt Spanish politics. Internet chatter, speculative journalism and political skulduggery, aided by a police investigation that could not answer all the questions, have combined to produce multiple conspiracy theories. Those theories, returning to the ETA theme or accusing the Socialists of a cover-up, lost most of their credibility this week when a Madrid court sentenced 21 people involved in the attacks. The court also laid out all the known facts about the bombings. ETA was absent. Violent Islamist radicals were to blame. That is good news for Mr Zapatero, who faces an election next March, but bad for the PP, which helped to fan the conspiracy theories.

AP

The trauma of March 2004

The trial did not satisfy the victims' families. They wanted longer sentences. The court was unable to tell them who was in charge, or who ordered the attacks. Only three of the accused were convicted of murder. A dozen others were found guilty of belonging to an Islamist terrorist cell. The small number of murder convictions reflected the fact that eight bombers, including the most likely leaders, blew themselves up when they were cornered by police several weeks after the attack.

Most of the guilty group were angry young north African Muslims settled in Spain. They were not openly directed by al-Qaeda, but they were clearly inspired by it. Spain's backing for the Iraq invasion enraged them even more. The other guilty men were small-time crooks who stole, and then sold, the explosives that killed their fellow Spaniards.

Will these verdicts enable most Spaniards to put behind them this most traumatic event in their recent history? Not completely. Conspiracy theorists will keep stirring the pot. Much depends on the PP. In recent months it has avoided the train-bombing subject. With the election approaching, and the court sentences now in, it may leave it alone completely.

The judgment came on a day when Spaniards were also dealing with another highly emotive part of their history. Parliament approved the final version of a historical-memory law, meant to offer moral compensation to victims of Franco's dictatorship. This came hard on the heels of a mass beatification at the Vatican of 498 clerical victims of Franco's left-wing opponents before and during the Spanish civil war in 1936-39. With the bombing trial over and the historical-memory law adopted, two of the country's most bitter political quarrels may now die away.

There are other issues to be discussed. The economy is growing by an expected 3.7%, but that is down on previous quarters and it is likely to slow further. Construction is wilting as house prices start to tumble. Inflation has shot up from 2.7% to a forecast 3.6%. Mr Zapatero, for one, has realised that the political debate has moved on. He has just made a sudden appearance, and issued a rare apology, in Barcelona, where the rail network is in chaos because of attempts to finish a new high-speed rail line on time. With

clouds gathering over the economy, Spanish voters may want their politicians to talk about the country's future, not only its past.

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Denmark's election

The soup thickens

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From The Economist print edition

A new centrist party may complicate coalition-building after November 13th

TO THE casual eye, Anders Fogh Rasmussen, Denmark's prime minister, ought to be a shoo-in at the snap election he has called for November 13th. For six years he has led a stable minority coalition of his liberals with the conservatives, backed by the far-right Danish People's Party of Pia Kjaersgaard. The economy is in rude health after 15 quarters of growth, the lowest unemployment in 33 years and a budget surplus of over 3% of GDP.

Mr Fogh Rasmussen has also fulfilled his promises to cut taxes and to curb immigration. He has kept Denmark out of trouble in the European Union by avoiding pesky referendums—including, most likely, one on the new EU reform treaty. His supporters applaud his decision to pull Danish troops out of Iraq; many also feel his handling of last year's Muhammad cartoon crisis was deft. Yet none of this guarantees his re-election. A big reason is the emergence of a new force in Danish politics: Naser Khader, a Syrian-born 44-year-old, who set up a new party in May with the aim of emasculating the Danish People's Party. Polls suggest that Mr Khader's New Alliance might capture 10% of the vote, enough to make it a potential king-maker between left and right.

AP

Prime minister in search of re-election

Mr Khader, who calls himself a “secular Muslim” and has the word “democracy” tattooed in Arabic on his arm, is both charismatic and canny. By tapping into a seam of disgruntlement among centre-right voters over the government's reliance on Ms Kjaersgaard, he has shown sounder political instincts than his rivals. For Ms Kjaersgaard's uncompromising hostility to immigrants has become unpalatable to many. Businessmen see her antipathy to foreigners as obstructive, when Denmark is grappling with a severe labour shortage that may necessitate more immigration. Many others are weary of the People's Party's shrill tone, such as its provocative election poster of Muhammad.

Voters are also tired of the mudslinging by right and left that has characterised Danish politics over the past decade. For the best part of a century before that, Denmark had a kaleidoscope of alliances, with centrist parties as key coalition-builders. But this middle ground, once the preserve of parties such as the Social Liberals, the Centre Democrats and the Christian Democrats, has shrunk under Mr Fogh Rasmussen—only to expand with Mr Khader. Ironically, it was Mr Fogh Rasmussen who helped Mr Khader to emerge by enlisting him as an adviser in the cartoon wars.

Despite a natural preference for non-leftist government, Mr Khader refuses to commit himself to backing either Mr Fogh Rasmussen or the Social Democratic opposition leader, Helle Thorning-Schmidt. So the early campaigning has been dominated by speculation over future coalitions, rather than debates on policy. With so many parties joining in, newspaper headlines often resemble alphabet soup. Both Mr Fogh Rasmussen and Ms Thorning-Schmidt are finding it hard to make their voices heard. For the time being, Mr Khader holds the centre stage.

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France's constitution

Parliamentary battles

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French constitutional reforms stir more argument than European Union ones

Get article background

THE last time the European Union drew up a constitutional treaty, in 2004, the French derailed it by voting no in a referendum. With the ink barely dry on the new Lisbon treaty, a “simplified” version, it is not surprising to find the French again agonising over constitutional change. Except that this time it is not the EU's constitution that troubles them, but France's: specifically, proposals to modify the balance of powers in the Fifth Republic. Oddly, the Lisbon treaty is proceeding with no referendum and hardly a whimper of protest.

Edouard Balladur, a former prime minister heading a special commission, has handed President Nicolas Sarkozy some 77 proposals for constitutional reform. A few would increase presidential powers. One clause would enshrine the president's right to “define the nation's policy” (traditionally the prime minister's job, as the president looks after foreign policy and defence). Another would let him appear before parliament (now forbidden on the ground of separation of powers).

Given the hyperactive Mr Sarkozy's habit of treating the presidency as a hands-on executive job, these ideas have prompted opposition protests. Only this week Mr Sarkozy secured a whopping 140% pay rise from parliament (though this only brings the president's salary into line with other countries, see article). Mr Balladur's commission offers other controversial plans too, such as the election of 20-30 parliamentary seats by proportional representation, which could help extremist parties, and a ban on deputies simultaneously holding local mandates, such as mayorships.

Most of the commission's proposals would enhance parliament's role. The assembly would share the right to determine the daily agenda (now the government's sole prerogative). The government's powers to pass laws by decree would be curtailed. Parliament would gain new powers over presidential nominations. Let us keep these new powers, declared François Hollande, the Socialist leader, but “let's drop the rest.” Mr Sarkozy has yet to decide which, if any, of the Balladur proposals to back. Any constitutional changes would have to go to a congress of both houses of parliament, probably next year.

Amid this vigorous debate over *hyperprésidentialisation*, the new EU treaty has raised few eyebrows. That seems odd. The Socialists campaigned during the presidential election for a referendum on any new treaty. Even Valéry Giscard d'Estaing, the former centre-right president who chaired the convention that drew up the EU constitution, says that the new Lisbon treaty—“unreadable”, he calls it—is simply the old text “redecorated”. Yet this week Mr Hollande told Mr Sarkozy that he would not call for another referendum.

In part, this Gallic shrug of indifference is because Mr Sarkozy made the negotiation of a simplified treaty, to be ratified by parliament, an explicit campaign promise. French voters knew that he would not put the treaty to a popular vote. But it is also because the 2005 vote was not a clear-cut rejection of the constitution itself, but more a revolt against the twilight years of Jacques Chirac's faltering presidency, as well as a protest against globalisation and the loss of industrial jobs. This week, a poll for *Le Parisien* suggested that, if the French were to vote on the new treaty, fully 68% would say yes.

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Ireland's prime minister

Paying the piper

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From The Economist print edition

A row over top politicians' pay comes at an awkward time

FEW countries pay their top politicians as well as Ireland. When Bertie Ahern recently accepted a 14% pay rise, it was the 26th of his ten-year tenure as *taoiseach* (prime minister). Since 1997, the *taoiseach's* salary, which will be €310,000 ($446,000) after the new award, has doubled. Mr Ahern is now better paid than most counterparts, in Europe and elsewhere (see chart). These include America's George Bush, who earns $400,000, Britain's Gordon Brown, who gets £188,849 ($389,700), and France's Nicolas Sarkozy, soon to earn €240,000. These men govern far bigger countries (Ireland has 4.2m people). But that did not sway the top-salary review body that aims to keep the pay of senior politicians and civil servants competitive with rates in the private sector.

The political problem for Mr Ahern is that such a generous pay rise could hardly have come at a less opportune time. On October 18th, just before the top-pay report was published, his finance minister, Brian Cowen, presented a pre-budget outlook for 2008, confirming a sharp downturn in the economy. He lowered his medium-term annual growth forecast to 3.5% over the next three years, and suggested that tougher times lay ahead. A week later Mr Ahern himself talked of the need for restraint to avert a "deterioration in our cost competitiveness". His austerity message may prove hard to sell when his own pay has just risen by €38,000.

The economy's slowing reflects a weakening in property and construction. As fewer houses are being built, growth has decelerated, tax revenues have fallen and unemployment has started to rise. That means that Mr Cowen has some tough decisions to make when framing his budget in December. He and Mr Ahern have to manage the economy through a difficult adjustment phase, and lower the expectations of a public long used to rapid growth.

The government is also braced for another voter test. Ireland is likely to be the only European Union member to hold a referendum on the new reform treaty. Mr Ahern is keen to avoid repeating the experience of 2001, when the Irish first rejected the Nice treaty before backing it in a second vote. His decision to broaden his coalition after May's election by including the Greens, who led the campaign against Nice, surprised many. But it could prove far-sighted if it averts another referendum upset. Maybe Mr Ahern is worth his pay after all.

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Turkey's Kurds

Dreams and reality

Nov 1st 2007 | DIYARBAKIR AND OVAKOY
From The Economist print edition

The effects of northern Iraq on Turkey's Kurds are more complex than they seem

Get article background

STANDING by the stream that separates the hamlet of Ovakoy from northern Iraq, Hisyar Ozalp, a young Kurdish lawyer, gestures towards a cluster of pink houses on the opposite bank. “That is Kurdistan,” he says. “And so is this.” Any conversation in Ovakoy shows why Turkey is so nervous about the effect of the Iraqi Kurds' semi-independent statelet. “I don't like Turkish, it's no good,” declares Fatma, a five-year-old, using the commonest Kurdish dialect. A gaggle of Turkish conscripts stares in mute incomprehension.

Getty Images

Excitement stirs in Diyarbakir

In the province of Hakkari, members of a group inspired by the Kurdistan Democratic Party (KDP) of Masoud Barzani, president of Iraq's Kurdish region, whisper of a new plan to unite the Kurds of Turkey, Syria, Iran and Iraq. Until recently, their KDP-Bakur disavowed the Kurdistan Workers' Party (PKK), which has escalated its long war against the Turkish army, killing 48 soldiers in October alone. Today it says armed struggle may be “the only way.” The Iraqi Kurds' march to independence since the 1991 Gulf war has stirred excitement among Turkey's 14m Kurds (roughly half of all Kurds). Mr Barzani's autobiography is being snapped up everywhere. “Iraqi Kurdistan is like a beacon,” says Ibrahim Guclu, a Kurdish politician.

Like many Kurds, he believes that Turkey's threat to clobber the PKK in northern Iraq is a cover for a full-scale invasion aimed at Iraq's Kurds. Warmongers in the Turkish media are howling for retribution against Mr Barzani for providing a haven for the PKK. Mr Barzani, who lost 200 of his own fighters helping the Turkish army against the PKK in the 1990s, says he would be happy to mediate but insists that the Turks should first recognise him as the Kurds' legitimate representative. Nothing doing, says Turkey, which this week announced new sanctions against those who support the PKK.

Despite Mr Barzani's popularity, the Turks can take heart from the millions of Kurds who have no desire to break away. That was the message of the July 22nd election, says Sehmus Akbas, a Kurdish businessman in Diyarbakir. He is thinking of the big gains made by the Justice and Development (AK) party in Kurdish areas, at the expense of the pro-Kurdish Democratic People's Party (DTP). Such is the appeal of AK's mix of liberalism and Islamic piety that it might even wrest Diyarbakir, the Kurds' unofficial capital, from the DTP in local elections next March.

Relations between Turks and Kurds are as intimate as they are fraught and complex. “We are like flesh and fingernail, inseparable,” says Mr Akbas. Many Kurds cling to sentimental notions of an independent

state. But the reality after centuries of cohabitation, intermarriage and economic integration is that “drawing boundaries has become impossible”, as Hasim Hasimi, a Kurdish politician, puts it.

Take Istanbul; home to some 2m Kurds, and easily the world's biggest Kurdish city. Many Kurds are poor and unemployed, often victims of the army's scorched-earth campaign against the PKK in the 1990s. Not surprisingly, they tend to support the rebels. Yet thousands of middle-class Kurds with summer homes on the Aegean coast, who want their children to learn English not Kurdish, have little interest in politics. There are few signs that northern Iraq is luring Turkey's Kurds. More ethnic Turks than Turkish Kurds do business there.

The frenzy of nationalism that has gripped Turkey since the PKK killed 12 Turkish soldiers and kidnapped another eight on October 21st is threatening to upset the fragile balance at home. In the western city of Bursa, ultra-nationalist vigilantes recently vandalised a chain of stores owned by a Kurdish family, after rumours spread that it was helping the rebels. DTP offices throughout Turkey have been pelted with rocks and, in one place, set on fire.

“Is Turkey going towards partition?” asks Sezgin Tanrikulu, a human-rights lawyer in Diyarbakir. Very probably not. But with every funeral of a Turkish soldier, calls for revenge are growing. Ordinary Kurds risk being caught in the crossfire.

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Romania's rule of law

Justice for some

Nov 1st 2007 | BUCHAREST
From The Economist print edition

Corruption scandals hit the headlines, but not the guilty

EVERY man has his price; a minister's is just higher. Fixing a public tender in Romania may require a few euros. And some sausages. And maybe some plum brandy. Tapes from the prosecutor's office, leaked and then broadcast on television, show the farm minister, Decebal Traian Remes, apparently taking delivery via a middleman of €15,000 ($21,600), 20 kilos (44lb) of sausages and 100 litres (22 gallons) of plum brandy. He resigned and has made no statement. Romania's prime minister, Calin Popescu Tariceanu, criticised this “public execution” of his colleague.

Even if the tape shows what it seems to, Mr Remes is no more likely to end up behind bars than other figures under suspicion. These include even the justice minister, Tudor Chiuariu, whom prosecutors have tried to investigate, though he denies any wrongdoing. The government, using an emergency decree that avoids a parliamentary vote, has dissolved an advisory commission on lifting suspects' immunity. New amendments to the penal code prescribe jail sentences of up to seven years for journalists who publish material showing officials involved in bribe-taking, and also reduce the penalties for actual wrong-doing by raising the financial threshold for corruption charges. As for existing cases, including one involving a former prime minister, Adrian Nastase (who insists he is innocent), most are bogged down in procedural delays.

It was worries over high-level corruption and an ineffective judiciary that preoccupied the European Union in the period before Romania and Bulgaria joined, which they did in January. But since Romania squeezed in, its politicians and top officials have been busily trying to reclaim the privileges and immunities they were forced to give up during the accession negotiations.

The good work was mostly done by the then justice minister, Monica Macovei, backed by Romania's president, Traian Basescu. The EU encouraged her new teams of prosecutors, whose vigour and independence were in sharp contrast to the previous judicial system. They made useful inroads into the culture of corruption and impunity within the government. But since her sacking last April, Mr Chiuariu, her successor, has been less effective. He wants the prosecutor dealing with top politicians to be replaced. The prosecutors (and Mr Basescu) disagree—so the government plans a constitutional amendment to limit presidential power.

Can the EU find new leverage to make up for what it lost when Romania achieved full membership? Worries about backsliding meant that Romania and Bulgaria were both subjected to a post-accession monitoring programme. Under this, the European Commission can stop Romanian court verdicts being binding elsewhere. That would be bad for business and citizens, and also shaming. But it may not be enough to sway the government.

Public outrage against corruption is still high, yet the bleak perception is that it flourishes. In the latest survey by Transparency International, a Berlin-based watchdog, Romania is rated the most corrupt country in the EU. Public opinion has yet to make itself felt on the issue. Optimists hope that a bad government will eventually exhaust voters' patience. Pessimists fear that the sight of a shamelessly corrupt new member may discredit the very notion of the EU's enlargement.

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Charlemagne

Britain's costly disdain

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Illustration by Peter Schrank

A salutary tale of lost interest and influence in Europe's corridors of power

IN SOVIET times, one escape for freedom-loving types was “internal emigration”. This involved a retreat to a country dacha or secluded library, there to write or grow vegetables and be isolated from the world beyond. It was a rational strategy for those who could not influence the regime, but it had a flaw: they were still behind the Iron Curtain. Now, in a perverse echo, something similar is happening with Britain and its relationship with the European Union. The British are not about to walk out. But they are in danger of mentally turning their backs on the EU.

Plenty of other EU countries harbour Eurosceptics of their own. French leftists want more protectionism; most Austrians hate the thought of admitting Turkey; lots of east Europeans feel the club's environmental rules are overblown. But the British case is different: sections of the government, media and public seem to want to forget that the EU exists. This is an irrational strategy, with two big flaws. Eurosceptic daydreaming aside, the EU is not a dictatorship; and Britain remains a paid-up member.

The case for positive engagement has usually been left to pro-Europeans. Britain must try harder, the enthusiasts insist, because it is winning the argument in Brussels: on free markets and open borders. There is something in this, although Eurosceptics counter that Britain has been promised leadership of a congenial, free-trade club before, only to be let down. But there is a simpler argument that is neither pro- nor anti-European. In the poker game of the EU's daily life, Britain is one of three big players, along with Germany and France. This is thanks not only to its wealth and population, but also to what others call, only half-jokingly, its Rolls-Royce bureaucracy. The contrast is often drawn with Italy, roughly as big and as rich, but with chaotic politics and poor networking skills that cast it as a Brussels loser.

The EU poker game is played for high stakes. Chunks of sovereignty must be swapped for such things as market access or the ability to curb beggar-my-neighbour policies in other countries. Playing to win is a reasonable strategy. Walking away completely appeals to another strand of opinion. But playing distractedly and badly is a terrible option from all standpoints.

For years, Whitehall has sent its most smoothly devious officials to serve at the British representation to the EU, or on secondment to EU institutions. British Eurocrats are now masters of working the (French-inspired) bureaucratic structure, and they still fill many jobs at the top, notably in senior commissioners' private offices. But for how much longer?

It is not an idle question. Since 1991 one British wheeze for creating networks of influence in Europe has

been the European fast stream. This civil-service career track trained high-flyers in languages and EU ways, rotated them through Brussels, and prepared them for the European institutions' *concours* (exam) if they chose to leave Britain and become proper Eurocrats. The fast stream once recruited 30 high-flyers a year. This year it took in three, and it is now suspended, pending abolition.

The problem, say some officials, is that Whitehall departments actively discourage their brightest and best from putting in time in Brussels, disdaining the skills they might pick up there. “Day to day, British ministers see the EU as an inconvenience,” laments one. This baffles diplomats from other countries, for whom a stint in Brussels is vital if they want to be promoted. The death of the European fast stream is “insane, insane”, groans one top Eurocrat. A diplomat from another country calls its disappearance “great for the rest of us”.

The British press is also disengaging from factual reporting of Europe. Yes, stories about the EU fill British newspapers, but most are about domestic politics, especially about the government's refusal to hold a referendum on the latest treaty. A couple of years ago, six British daily newspapers had staff correspondents in Brussels. Now there are only three.

During the ten years of Tony Blair's government, other EU leaders got used to dealing directly with a few powerful advisers working for the prime minister in Downing Street. But Gordon Brown is said to regard the EU as, at best, another multilateral organisation (like the G8 or the World Bank) and, at worst, as irrelevant. This may explain why he has overloaded his chief European adviser, Jon Cunliffe, with two other jobs, as his head of international economic affairs and as the official sherpa who prepares G8 summits.

A similar sound of misfiring can be heard from the British Rolls-Royce in Brussels. Britons hold one in ten of the top jobs in the commission: not a terrible score, given that they make up 12% of the EU's population. But lower down the career structure, the numbers fall off a cliff. In the latest EU recruitment round, just 2% of applicants were British. The same holds for the commission's internship programme, a stepping-stone for all manner of EU-related jobs. Five years ago, 262 British graduates applied for internships. Only 100 did so in the latest round (there were 483 applicants from France and 890 from Italy). At the College of Europe, a postgraduate institute and nursery for top Eurocrats, a mere 22 out of 412 students are British.

Losing one's poker face

In all this the job market undoubtedly plays a role (all those fat City salaries). But so does government and press sniping at the EU, according to one top official. Admit at a wedding back home that you work for the commission, and you face a “half-hour tirade” about the evils of Brussels.

This may be bad for Britain, but should anybody else care? One answer is that British influence has often been useful to others, and especially to newcomers. Seasoned British officials may slow the rush to regulate, for example, and they are usually keen on enlargement. The British can be awkward, selfish and devious players of the EU game. But plenty of people would miss them if they wandered off and forgot that Europe exists.

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Foreign workers

Undercounted and over here

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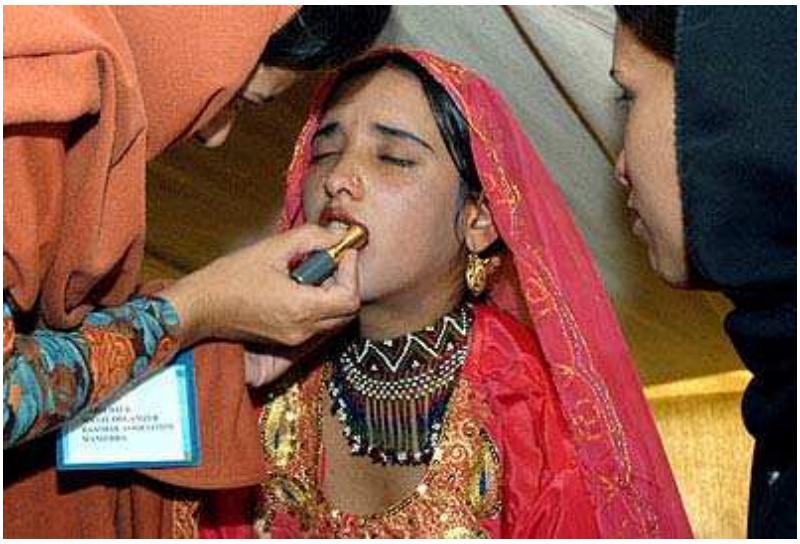
AP



Politicians have started to agree on immigration. If only the numbers did too

Get article background

IT IS a tricky topic for right-wing political parties in most developed countries. Raising the issue of immigration at once provokes accusations of racism; but ignoring it goes down poorly with core supporters, for most of whom it is deeply worrying. In the run-up to the 2005 general election, Britain's Conservative Party got it badly wrong, plastering the country with posters trumpeting the truism: “It's not racist to impose limits on immigration”, followed by a sly insinuation: “Are you thinking what we're thinking?” Since neither of the other two main parties was talking about immigration at all, both were free to shoot at this wide-open goal without saying anything on the matter themselves.

How times have changed. On October 29th David Cameron gave his first big speech on immigration since becoming leader of the Conservatives after they lost that election. In government, he said, his party would create a border police force with powers to remove illegal immigrants. It would limit migration from future members of the European Union and set yearly targets for workers from outside the EU, balancing demands on infrastructure against economic benefits. Non-European spouses of British residents would have to be 21 before they could join their partners.

The fortuitous timing of a chaotic series of revisions to immigration statistics made it easier for Mr Cameron to broach this touchy subject. On October 8th Peter Hain, the secretary of state for work and pensions, told Parliament that 800,000 migrant workers had taken jobs in Britain since 1997. On October 29th his department admitted this number was wrong, and increased it to 1.1m. The fog thickened on October 30th when a letter from the national statistician dated July 18th came to light, saying that 1.5m people born abroad had taken jobs in Britain over the past ten years. (It transpired that the extra 400,000 were indeed foreign-born, but hold British passports, unlike the 1.1m.)

All three main parties now recognise that immigration is important to voters, and growing more so. According to Martin Weale, an economist who co-authored a 2006 report on immigration that turns out to have been prescient about its true scale, one reason why the government has been slow to twig to popular concern is that it has been mesmerised by the observation that immigration has led to economic growth overall. “But what you and I notice is our share of growth,” he says, “and that could be going down at the same time.” On October 30th local-government bodies reminded the government that recent migration had badly stretched schools, hospitals and housing in some neighbourhoods.

Still more vexed is the question of how immigration is affecting employment. Many worry that cheap, hard-working, well-educated foreign workers make life easier for those who employ them but harder for low-skilled locals who might previously have been hired and then brought up to scratch on the job. Yet another statistical revision this week smashed a totemic government claim that most of the new jobs created since 1997 have gone to Britons: fewer than half have done. And in the two years from the spring of 2005, 540,000 foreigners have found jobs in Britain while 270,000 British workers have lost them.

Though immigration is providing the parties with powerful political ammunition, the policies they are proposing to deal with it are strikingly similar. Take Mr Cameron's promises to impose restrictions on workers from countries that join the EU in the future, and on foreign spouses. Both are already Labour policy. The government raised the age limit for spouses in family-reunion cases from 16 to 18 earlier this year, and said it would soon raise it to 21. And on October 30th the countries currently queuing to join the EU were sent a clear signal by Labour when Bulgarians and Romanians, who became EU citizens earlier this year, were told that supposedly temporary restrictions on their ability to work in Britain were to be extended.

Meanwhile the Liberal Democrats, Britain's third party, boast that the “points scheme” for non-EU migrants due to start in 2008 was first mooted by them. Like the Tories, they want a national border force and emphasise the importance of local planning for population changes.

One cause of this sudden volubility and consensus is that the scale of the increase in immigration since 2004 has only recently become apparent. Perhaps 600,000 workers have already arrived from the ten countries that joined the EU in 2004, 20 times more than the government predicted. But no one knows exactly. Even the recently revised numbers are inferred from two surveys rather than counted directly. Both have limitations.

In his speech on October 29th, Mr Cameron cleverly framed immigration in broader questions of demography and social cohesion. He also expounded on family breakdown and the difficulties posed by an ageing population. Tighter restrictions on foreign spouses were presented as a measure to prevent forced marriages, rather than to keep people out. He will, however, have pleased his right wing by saying that immigration should be “substantially lower”—a statement that other parties have so far avoided.

What has been missed by almost everyone in the debate, however, is that most immigration is out of the hands of politicians. Foreign-born holders of British passports, EU residents and spouses of those already in Britain make up the vast majority of newcomers. The remainder, at whom all these tough-sounding policies are aimed, account for at most a third.

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Saudi state visit

Learning to sup with a long spoon

Nov 1st 2007
From The Economist print edition

King Abdullah heads a flawed state. All the more reason to invite him

FOR all the talk of security breaches and boycotts, the first Saudi Arabian state visit to Britain in 20 years passed off as these things usually do—with mutual expressions of goodwill and a few minor agreements. In the crowds gathered to watch Queen Elizabeth and King Abdullah process by carriage down the Mall, protesters were lost among the tourists and policemen. The acting leader of the Liberal Democrats refused to meet the Saudi delegation on moral grounds, and David Miliband, the foreign secretary, bailed out to spend time with his new son.

Cue the first mini-controversy: Mr Miliband's cancellation was announced on the day the BBC aired clips from an interview in which King Abdullah claimed Britain had ignored Saudi intelligence that might have prevented the London bombings of 2005. Mr Miliband's withdrawal was a riposte, suggested gossips; nonsense, said the Foreign Office, which denied the king's claims too.

Reuters

Singing from different hymn sheets

It was only a minor spat, and reasonably swiftly contained. But the fact that it flared at all shows the strong feelings that Saudi Arabia engenders in Britain these days. A rising power in the Middle East, Britain's most valued ally in the region and its defence industry's biggest foreign customer, Saudi Arabia matters. Yet this state visit was attacked as few before. Why?

People who care about such things have two complaints. The first is Saudi Arabia's dismal human-rights record, which some think renders its rulers unfit to have tea with the queen. The second is the murk surrounding Britain's biggest defence contract of all time—the Al Yamamah deal, worth some £43 billion ($86 billion)—in which BAE Systems supplied the Saudis with state of the art fighter jets and the training to fly and maintain them, allegedly after bribing officials. A successor to that contract was finally agreed in September, nine months after a two-year investigation by Britain's Serious Fraud Office into the alleged bribes was called off.

Critics see the state visit as another sweetener in a relationship that already reeked of corruption. And they may be partly right. But a state visit is not an endorsement. In 2005 Hu Jintao, China's president, was extended the same welcome; in 2003 Vladimir Putin became the first Russian head of state to visit Britain in more than a century. Neither of them is a human-rights role model.

As the king and his entourage were entertained in London, the repression and torture in their own country presumably continued. But there are signs that Saudi Arabia is moving, albeit slowly, in the right direction. That is partly because others have urged them to get their act together. If the message gets across better over triangular sandwiches at Buckingham Palace, so be it.

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The English question

Handle with care

Nov 1st 2007
From The Economist print edition

The Tories flirt with a growing English nationalism

Get article background

SOMEWHERE among the stiff upper lips and a fondness for queuing, a sense of fair play is to be found in any shortlist of the traits readily associated with the English. No wonder, then, that they are animated by the “West Lothian question”—the constitutional anomaly that allows Scottish MPs to vote on laws affecting only England but, since devolution in 1999, denies English MPs a say on a wide array of matters that pertain only to Scotland.

One answer to this question—limiting the right to vote on English-only matters, including health and education, to MPs with English seats—was proposed by Sir Malcolm Rifkind, a Conservative MP, on October 28th. It is not yet party policy, but his plan for a “grand committee” of English MPs is being considered by the Tories.

The present arrangements are lop-sided but Sir Malcolm's proposals, experts say, could hasten the break-up of the United Kingdom. A government with a majority of British but not English seats might struggle to pass many of its manifesto pledges, and ministers from Scottish constituencies would be unable to vote on their own bills. This is not just a theoretical worry: the present cabinet is led by Scots, including the prime minister and his chancellor of the exchequer. Moreover, determining which bills are purely English is a fraught task, as William Gladstone, a Liberal prime minister, discovered in 1893 when he had to abandon a plan similar to Sir Malcolm's to deal with Irish MPs. Accommodating MPs from Wales and Northern Ireland, whose national legislatures have fewer powers than Scotland's, would complicate things further.

That the Tories are flirting with the idea is at first sight remarkable, given their history—theirs is still officially the Conservative and Unionist Party. In 1955 the Tories won an outright majority of seats and votes in Scotland, the only party that has done so since the war. Only last year David Cameron, their leader, gave a robustly unionist speech in Oban.

Yet a glance at an electoral map explains why the Tories' views may be changing. Margaret Thatcher tried out her hated poll tax there and that, plus the impact of privatisation and union-bashing on Scotland's industrial economy, turned off voters north of the border. The Tories now have just one MP in Scotland.

So their pitch to the English may be understandable, but it is risky in two ways. By reducing the Scots' stake in British government, it could encourage them to pull out of it altogether. It may also embolden an English nationalism that threatens the union just as much as the Scottish kind.

Polls suggesting that two-thirds of the English support an English-only parliament may be flawed (the questions are often leading), but support is definitely up from the 17% registered in the early years of devolution. The proportion of English people who define themselves as “English, not British” has risen from 30% in 1992 to 40% in 2005. English MPs report that voters nobbled on their doorsteps complain increasingly about England's subsidy of the Celtic fringe and the “Scottish Raj” that dominates Westminster.

For its part, the Labour government has allowed the union to suffer through neglect. It has not addressed English concerns over the West Lothian question or the Barnett spending formula that has seemed to favour the smaller nations. Its part-time Scottish secretary appears unable to counter Alex Salmond, the wily nationalist leader of the Scottish government, who aims to drive a wedge between Westminster and Holyrood. And although Gordon Brown, the prime minister, touts Britishness, Labour has seldom made a positive case for the union, telling Scottish voters at the May elections only that they faced public-service cuts without their English subsidy.

If there is an answer to the English question, it is less likely to lie in dramatic reform such as Sir Malcolm's

grand committee or an English parliament than in a clutch of partial measures: rejigging the Barnett formula, devolving power to local government in England, cutting the number of Scottish MPs. For if there is anything as English as fair play, it is a preference for messy compromise over radical change.

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Prostitution and advertising

Indecent proposals

Nov 1st 2007
From The Economist print edition

A spat over classified ads exposes Britain's uneasy stance on prostitution

JOSTLING for position among advertisements for plumbers and old bicycles, there is one page at the back of most local newspapers that stands out. Small (classified) ads offering “adult massages” have long featured in Britain's local papers, supposedly as a bit of harmless fun. They may not be so harmless after all. On October 28th Harriet Harman, the minister for women, linked these small ads with the practice of people-trafficking. Some of the girls behind the glossy ads may be working against their will, she said. Ms Harman and other ministers booked a meeting with the Newspaper Society, which represents local editors, for November 1st.

England's laws on prostitution are muddled. It is not illegal to sell sex, or to buy it, so advertising it is also fine in principle. But soliciting in public is forbidden, as is “kerb-crawling”. And brothels—now defined as places where more than one prostitute works—are also outlawed. (Operations involving up to three people are soon to be made legal, in a bid to get sex workers off the street and improve safety by increasing numbers). The only legal way to sell sex is to do it alone, and in private.

Market penetration

Newspaper ads are therefore legitimate, provided the advertiser is working alone. But many of the advertisements in local newspapers seem to fail this test. The “very very busty ebony diva” in the back of one London paper is all right—but what of the “luxury apartment” on the same page, which has “different babes daily”?

The Newspaper Society advises its members not to accept adverts for massage parlours if there is reason to believe that sex is going on. But blind eyes are being turned on an epic scale. A big newspaper group boasts that it will not accept adverts that allude to “extras”—yet one of its London titles offers “naughty busty multinational girls 4 your pleasure, all desires fulfilled”. Last month the *South Wales Echo* ran a story about trafficked women working in Cardiff, only to discover that all of the brothels named in the article had advertisements in the same issue.

The mainstream media is bringing prostitution in from the cold by running such ads, argues Frances Broderick of the Poppy Project, a charity that aims to rescue trafficked women. “It is sending out the message that it is safe and acceptable, which is itself very dangerous,” she says. New media have pushed prostitution right into the home: on Punternet, a website for buyers of sex, dozens of men each day post cheery reviews of women as if they were books on Amazon.com.

Allowing sex to be bought and sold in reasonably open circumstances can in fact make things safer for the workers involved. Punternet provides a hotline for its users to report on trafficked or underage girls. And newspapers can do more by regulating their adverts than by dropping them altogether. In Suffolk, where five prostitutes were murdered last year, Archant Regional, a big local newspaper group, decided with the police that the small ads should continue in order to stop the trade going underground. The newspaper passes information to officers and has made simple changes—such as accepting payment only by cheque or credit card for adult listings—which mean that advertisers can be traced if illegalities are reported.

Whether such advertising is worth it for newspapers is another question. Editors must weigh the money earned from these ads—perhaps a couple of pounds per word in a local newspaper—against the potential loss from offended readers and other advertisers who decide to go elsewhere. This dilemma applies not just to local newspapers: upmarket escort agencies target almost all publications—including, believe it or not, this one.

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Competition in retailing

A Tesco in every town

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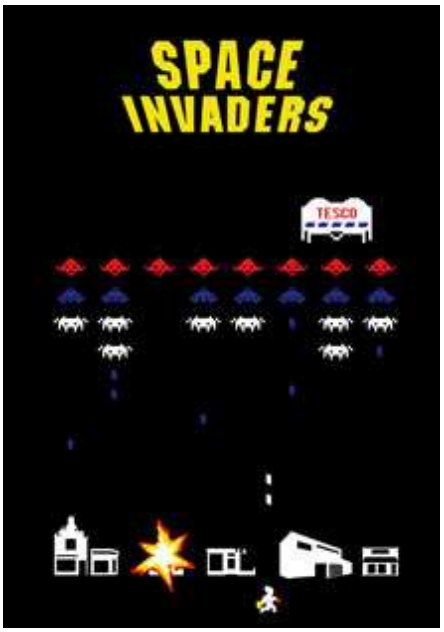
From The Economist print edition

Britain's small shopkeepers rue the day they called for a probe of retailing

BE CAREFUL what you wish for. Two years ago, after vigorous campaigning and a judicial review, small shopkeepers forced competition authorities to look at the conduct of the biggest supermarket chains. They complained that the giants were abusing their market power, squeezing suppliers too hard and selling goods at a loss to drive mom-and-pop stores off the high street. Their hope was that regulators would stop new superstores being built. Instead, when the Competition Commission released its provisional recommendations on October 31st, it stunned many with proposals that are likely to result in still more supermarkets springing up.

The commission proposes to relax planning constraints on big new stores. It also wants to make retailers sell land to rivals, after finding that many have been buying up sites in towns where they are strong in order to keep out competitors.

Tescopoly



More than a game

Such proposals may seem counterintuitive, given widespread concern about the clout wielded by mammoth supermarket chains: the four biggest control almost 75% of the market and Tesco alone has 31%. The Federation of Small Businesses reckons the proposals are letting down both shoppers and small retailers, and the Association of Convenience Stores, which represents more than 33,000 shopkeepers, thinks they will entrench the dominance of existing big supermarkets.

Yet where many see cause for alarm, the competition regulator sees consumer choice in action. It thinks the rise of big supermarkets has been good for consumers, on the whole. Food prices have fallen a real 7% since 2000 (though they are rising again with higher international commodity prices), choice has widened as some 2,000 new products have been added to the shelves each year and most people in Britain live a short drive away from at least one large shop. “It's a free country and shoppers can shop where they like,” says Peter Freeman, the chairman of the commission. “The consumer is getting a reasonable deal from the retail industry.”

Crucially, however, the commission found that many of the benefits to consumers arise from competition between big supermarkets. In towns with few or just one, prices rise, or the range and quality of goods on offer decline. And the benefit of being the only big store in town can be substantial: such shops make an extra £25,000 profit a month, enough to create a clear incentive to try to prevent competitors from entering the market.

This would matter little if small shops could force supermarkets to pull up their socks. But although small shops compete vigorously with one another on price and quality, their influence on big supermarkets is negligible. This is worrying, for almost a quarter of all large supermarket stores have either no large competitor or just one within a 15-minute drive.

The commission's concern, then, is not that there are too many supermarkets, but that there are too few. One reason is Britain's sclerotic planning system, which keeps new entrants out of the market while encouraging the supermarkets already there to expand their existing stores. But it also found evidence that some big chains have been naughtily buying up land to keep out competitors. The four biggest are sitting on almost 900 undeveloped sites, half the number of the big supermarkets now operating.

Surprisingly, the commission also found evidence that supermarkets don't seem to hurt small stores as much as was previously thought, and perhaps not at all. Although lobbyists for small shops argue that

their number is falling precipitously, the commission found a 70% increase in the number of convenience stores between 2000 and 2006, and more than half of the new ones were independents.

When a new supermarket enters an area, the watchdog found, although the number of small grocers fell, the number of bakers increased. And there was no discernible change in the number of butchers, fishmongers, delis and health-food stores. Whether they would survive a second supermarket nearby seems less certain. But they will have only themselves to blame if they are forced to find out.

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Liberty v security

A fine line

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The law lords uphold control orders to detain terrorist suspects, within limits

FOR Lord Hoffmann, one of Britain's most respected law lords, it should have been a no-brainer. “Such is the revulsion against detention without charge or trial, such is this country's attachment to *habeas corpus*, that the right to liberty ordinarily trumps even the interests of national security,” he declared this week. Such rights were simply “too precious to be sacrificed for any reason other than to safeguard the survival of the state”.

Yet even he had doubts as to whether the government's controversial system of control orders for suspected terrorists amounted to an unlawful deprivation of a fundamental human right or a simple restriction upon their liberty. Whereas continuous house arrest was clearly equivalent to imprisonment or detention, he was not so sure about the imposition of an 18-hour curfew. There was, he suggested, no clear dividing line between what was acceptable and what was not.

His colleagues nevertheless struggled—not entirely successfully—to provide one. In a three-to-two ruling, they found that although an order confining a suspect to his “residence”—often no more than a bedsit—for 18 hours or more a day did violate his right to liberty, less draconian restrictions did not. Delighted that its control-order regime had escaped more or less intact, the government promptly said it would consider 16-hour curfews. Following earlier rulings, the longest is now 12 hours.

Control orders were introduced in March 2005, after the law lords had held the indefinite detention of suspected terrorists to be incompatible with their human rights. Such orders, involving a variety of restraints such as electronic tagging, bans on unauthorised visitors and electronic communications as well as strict curfews, can be imposed on the simple say-so of the home secretary for indefinitely renewable periods of 12 months. Of the 30 people so far subjected to control orders, seven have absconded and another seven have had their orders quashed.

Under Article 5 of the European Convention on Human Rights, which Britain has enacted into national law, no one may be deprived of his liberty save in certain circumstances—after conviction of a crime, pending deportation, if deemed insane and so on. Only “in time of war or other public emergency threatening the life of the nation” may a state opt out of Article 5—and then only “to the extent strictly required by the exigencies of the situation”.

But it is often impossible to obtain enough admissible evidence to obtain a conviction, the government argues. Preventive action may need to be taken to stop a suspected terrorist from carrying out his murderous intent. John Reid, the previous home secretary, thought that control orders were such an essential weapon in the struggle against terrorism that, in his day, he threatened to take the “nuclear option” and declare a state of emergency in order to opt out of the European Convention were the law lords to rule against them.

That will not now be necessary. But the government is less happy about the law lords' views on a suspect's right to see the key evidence against him, even if disclosing it is deemed contrary to national security interests. By a four-to-one majority, they upheld a suspect's right to such information, arguing that he would otherwise be unable to challenge the allegations against him. The right to a fair hearing was “one of altogether too great importance to be sacrificed on the altar of terrorism control,” Lord Brown said.

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Transport

Moving on

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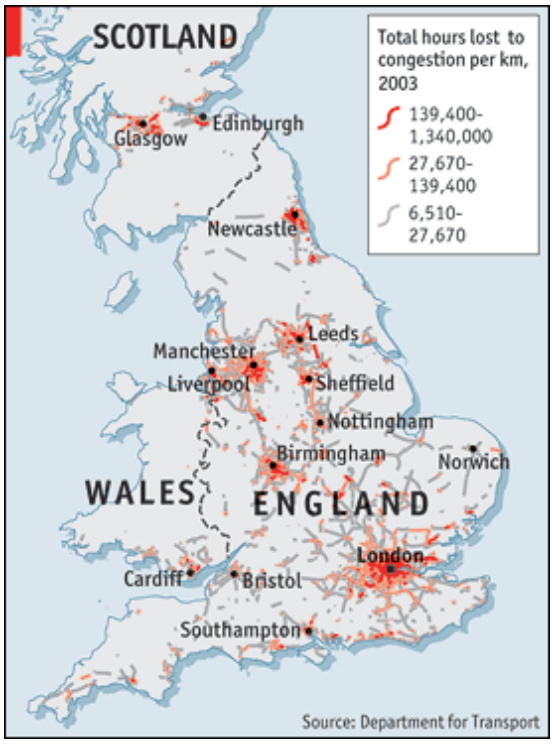
The government has decided what its transport policy is for

AT THE time, cynics dismissed it as the latest in an endless succession of consultations, reports, five or ten-year plans and other such wheel-spinning from a government that had given up on transport policy as too sensitive and difficult. But when Gordon Brown, then the prime minister-in-waiting, asked Sir Rod Eddington, a former boss of British Airways, to write a review of Britain's clogged transport network, he gave him unusually hard-nosed instructions to concentrate solely on transport's economic impact.

Sir Rod's findings were published late last year. On October 30th, the government—now with Mr Brown at its helm—published its response. It agreed with almost all of Sir Rod's recommendations, as well as with those of Sir Nicholas Stern, another luminary enjoined by Mr Brown to think great thoughts, this time about the likely economic effects of climate change. (Transport accounts for a quarter of Britain's greenhouse-gas emissions.)



By accepting the primacy of economic benefits the government has for the first time in years the tools to think about transport in a clear and intellectually coherent way. Transport in the past has been buffeted by many competing claims, about social justice, price and universal service.

The government document agrees that new roads are needed, and makes the case for them even when Sir Nicholas's work on the cost of carbon emissions is taken into account. Traffic has risen by almost an eighth since 1997 but road-building has not, causing gridlock in many parts of the country (see map). Extra railway capacity is also planned, to relieve the overcrowding on commuter lines. An expansion of ports and airports is deemed worthwhile as well, despite the extra emissions. Most importantly, ministers have agreed to the proposition that money should be spent where overcrowding is worst.

In practice, says David Begg, who was once the head of a government-advisory body called the Commission for Integrated Transport, this means spending money on the roads and commuter railways that serve big cities. There will be less appetite for discussing whether to close those unprofitable rural railways that spend most of their time “carting fresh air around the country”, as Alistair Darling, once

transport secretary, put it. Airport expansion will be controversial, too, with both anti-flying eco-warriors (who will oppose new roads as well) and homeowners living beneath flight paths. And proposals to introduce regulations forcing carmakers to reduce carbon-dioxide emissions are unlikely to go down well with their bosses.

But the biggest row will be over the question of road pricing. Sir Rod was convinced of the economic case for charging for road use, but the public does not share his enthusiasm. Depending on the survey, between one-half and three-quarters of people say they oppose the idea. The government has already proved itself attentive to the popular mood on the matter. A petition in 2006 attracted 1.8m signatures, forcing Tony Blair (then prime minister) to dampen his previous support. Stephen Glaister, an economist at Imperial College London, notes that talk of a nationwide road-charging scheme has been replaced in the new report by vague promises of smaller schemes in the biggest cities.

Not everyone has been complimentary about the report. The opposition Conservatives scornfully accuse the government of peddling “rehashed ideas” without offering concrete plans. Mr Glaister is not so sure. “For a long time there has been an intellectual confusion about how transport should work,” he says. “This puts proper economic analysis back into transport planning.”

But the Tories do have one point: grand plans have been ten-a-penny under Labour. This one may be more sensible than most, but that will hardly matter if ministers fail to follow through on it.

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Bagehot

Trust me

Nov 1st 2007
From The Economist print edition

Illustration by Steve O'Brien

Gordon Brown's ideas about the state are more complicated than his critics allow

Gordon Brown

"BRITZ", a controversially well-meaning television drama broadcast this week on Channel 4, tried to show how the government's anti-terrorism legislation might combine with foreign-policy grievances and intergenerational angst to produce what it is supposed to prevent: enraged British Muslims blowing themselves up in London. As the producers' luck would have it, on October 31st, when the first episode of "Britz" aired, the House of Lords issued a complex ruling on the legality of one of the measures the drama criticises: so-called "control orders", which allow the government to curtail the movements and behaviour of suspected terrorists. On the same day Gordon Brown made a big speech on education policy.

The connection between Mr Brown's thoughts on schools and the rumpus over anti-terrorism laws might be hard to spot. But it exists, and it matters. Both raised the same fundamental question about the prime minister: what Mr Brown considers the proper role and limits of the state to be. The answer is more nuanced than some of his detractors allow—but it is worrying all the same.

Brown's Leviathan

The education speech is the second big address that Mr Brown has given as he tries to scrabble out of the doldrums of the non-election fiasco. The first, on October 25th, took the theme of liberty. It was important—not because of the specific measures it contained (more of the "reviews" of which the prime minister is over-fond), but because of what it revealed about his political philosophy. Mr Brown talked about the evils of arbitrary power, and the recent neglect of liberty by unspecified politicians. He came across almost as an authentic liberal, of the kind that New Labour home secretaries have tended to ridicule.

Almost, because Mr Brown's idea of the state turned out to be rather less liberal than his Hampstead–rousing rhetoric seemed to suggest. He laid out what he saw as a distinctly British notion of liberty, in which rights were married to social duties, in contrast to "selfish individualism" and "simplistic libertarianism". He roped in lots of thinkers and writers to beautify his case (including Gertrude Himmelfarb, Mr Brown's unlikely American moral muse) but not one whom he sometimes brought to mind: Thomas Hobbes, with his Leviathan—the supreme authority to which individuals surrender some of

their liberty in order to protect the rest of it.

Mr Brown's diluted version is that his own Leviathan may take on new protective powers, if they are subjected to judicial and parliamentary oversight. Thus, despite his hymns to Milton, Orwell and the rest, Mr Brown implicitly justified the assorted liberty-eroding measures that Labour has enacted, of the kind that stir up trouble in “Britz”: circumventing the presumption of innocence, bypassing due process and so on. And he laid the ground for the assumption of two further powers.

One is the right, which is likely to be debated soon in parliament, for the government to hold suspected terrorists without charge for even more than the current 28 days, already the longest such period in Europe. Even those who agree with Mr Brown that the threat of Islamist terror is new and potentially catastrophic should blink at that. The other is the introduction of identity cards alongside Britain's near-panopticonic system of surveillance and daunting DNA database. Even the sanguine majority of Britons who assume, not unreasonably, that they live in an era of unthreateningly benign government should think twice, or at least once, about that.

The other philosopher the speech brought to mind (a little ominously) but did not mention directly was Sir Isaiah Berlin. Mr Brown talked about “the freedom to aspire” that he wants to cultivate along with the freedom not to be harassed. That sounds rather like Berlin's idea of “positive liberty”—roughly, the right to pursue good things as well as to live without interference. Berlin thought this type of freedom could be dangerous, because coercive regimes might turn it into a obligation to pursue what they saw as desirable outcomes. He was thinking of much nastier rulers than well-meaning Mr Brown; but there is an echo of this risk in Labour's intrusive attitude to obesity, drinking and other forms of naughtiness.

The idea of the state that emerges from this learned hotchpotch is one that knows it ought to be small, but somehow cannot resist getting bigger; a state that creates risks by trying too hard to eliminate them. The same tension—between intellect and instinct—was apparent in Mr Brown's education speech too.

He talked sensibly about the role of family attitudes and culture in determining children's educational achievements—but seemed to place a naive if vague faith in the state's ability to reform them. He mentioned the possibility of floundering state schools being taken over by independent ones—but his main cure for the continued, dismal failure of many of them involved a barrage of central targets, frameworks, guidances and the like. Those in the parliamentary Labour Party who hoped Mr Brown would inject more oomph into Tony Blair's embryonic market-based reforms to the public sector are, understandably, beginning quietly to grumble—just as, awkwardly for Mr Brown, some on the left of the party are beginning to object aloud to his Torier-than-thou gestures on tax.

So Mr Brown is not quite the grasping statist that some portray him as being. He understands that an overmighty executive is undesirable, and that arbitrary power is dangerous. He can see that the state alone is failing to teach every British child to read. All the same, his philosophy seems to boil down to this: government can indeed be trusted not to abuse its authority, and to meet all its citizens' needs—so long as the government in question is his.

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The UN and climate change

The icy road to Bali

Nov 1st 2007 | SANTIAGO
From The Economist print edition

Photographer's Choice RR

The UN's quiet new boss is hoping that his eco-tour of the southern hemisphere will concentrate minds on the planet's travails

Get article background

BAN KI-MOON has hardly been a limelight-stealer during his 10 months as secretary-general of the United Nations. But over the coming days, expect to see the cautious, camera-shy South Korean at the centre of some spectacular snaps: watching the glaciers vanish at the bottom of Patagonia, flying to the finger of land that juts out of Antarctica and then heading for the vibrant heart of Brazil's forest.

Think of it as a circuitous, but carefully-planned journey to the Indonesian island of Bali, where the outlines of a grand global bargain on how to deal with climate change may or may not come into view at a meeting in December. By his own account a “harmoniser” rather than a tub-thumper, Mr Ban will be told some amazing and often contradictory things as he travels round some ecologically sensitive spots on the southern edge of the world.

Is the earth's climatic system about to spin out of all control, threatening the lives and livelihoods of billions of people, or is it a bit more robust (or at least fixable) than the gloomiest scientists think? In Chile, Antarctica and Brazil, he is likely to hear and observe evidence on both sides of that argument.

As he flies south to Punta Arenas, Mr Ban will see dozens of glorious glaciers, almost all of them (87% by one recent estimate) retreating and thinning. The nearer they are to the sea, the more vulnerable they are to rising temperatures. But not all recent alterations in the physical landscape reflect global warming. Earlier this year, Chilean scientists were amazed to find a deep hole where a glacial lake used to be. Rising temperatures were initially blamed for the lake's disappearance; but researchers later concluded that it simply tipped into an even bigger lake.

Around the Torres del Paine national park, near Punta Arenas, Mr Ban will be able to listen to the crashing and booming of glaciers as they “calve” into the sea: a natural process, but one that is accelerating. Here and in many other parts of Chile, the effects of warming are obvious. Some time in the coming decades, the shrinking of glaciers will cause a drop in the level of glacial runoff, reducing the supply of water to urban Chileans. A similar, and often more acute, challenge faces more than 1 billion city-dwellers in other parts of the world who rely on glacial runoff for their water.

Apart from global warming, Mr Ban will meet people affected by another environmental problem—the emergence of a hole in the ozone layer. In Punta Arenas, residents have to cope with radiation alerts when ozone depletion is so severe that it becomes highly dangerous to expose skin or eyes to the sun.

But for some environmentalists, the ozone story is on balance a tale of success. When the Montreal protocol, limiting ozone-depleting chemicals, marked its 20th anniversary in September, many people hailed it as an example that could inspire those who are trying to combat climate change. Once the scientific evidence became overwhelming (and frightening enough to generate political pressure), governments and industry worked together to reduce the ozone “hole”: at least those were the claims made at the agreement's birthday party. In the case of climate change, the scale of the problem, and the adjustments needed, are far greater—but the principle (that the world can work together to mitigate environmental harm) sounds like a good one to follow.

What about Antarctica, which along with Greenland forms one of the principal stores of fresh water on earth? Most of the southern continent's icy mass, especially the eastern half which rests on some very solid rock, is so deep-frozen that so far at least, it has been impervious to climate change. Encircled by icy winds, the compacted snow of Antarctica's deep interior is actually growing in volume.

That is probably just as well, because if all the water locked up in Antarctica were to cascade into the ocean, global sea levels could rise by 60 metres (185 feet), leaving more than a third of the UN's New York headquarters under water. By comparison with the Arctic, where the North Pole could be swirling in ice-free seas in summer by 2040, the southern polar region seems a bit more stable—but that is no reason to be complacent, says Ted Scambos of the University of Colorado. Two bits of Antarctica are heating up rapidly. The peninsula that juts out of the continent is warming as fast as anywhere: three degrees Centigrade in the past 50 years. And in Pine Island Bay two giant glaciers are shrinking, and this process is accelerating. Of the global sea-level rise that is already taking place (about 3 millimetres per year since 1990, compared with an average of less than 2mm before 1990), about one sixth may be the result of melting from two smallish parts of Antarctica. So even a minor change in the Antarctic landscape has had global effects, and these are as grave as those of the (far more obvious) melting of Greenland's ice mass.

To put these numbers in some perspective, a UN study earlier this year said that by the end of the century the global sea level was likely to rise between 18 and 59 centimetres—a prediction made with the important rider that it did not include “processes related to ice flow”, in other words, the possibly disastrous effects of chunks of Greenland and Antarctica sliding into the sea at a quickening pace.

The Antarctic landscape, no less than the icefields of Chile, can deliver surprises. In 2002 an ice shelf the size of Rhode Island, which had been stable for at least 10,000 years, collapsed in just three weeks. Some smaller changes are arguably more ominous, like a recent drop in the southern seas' ability to absorb carbon.

Part of Mr Ban's purpose in going to the deep, icy south is to highlight—ahead of the Bali meeting—the fact that there are problems facing humanity which are so grave that they should induce every country to restrain its self-interest. So he may be depressed to run into the beginnings of an old-fashioned territorial spat between jealous countries. Last month Britain said that—in what was just a routine piece of “legal book-keeping”, or so diplomats said—it was preparing a claim to an economic zone off the coast of Antarctica stretching up to 350 nautical miles from the land mass that it already regards as British.

This would be one of five claims that Britain hopes, by the deadline of May 2009, to have lodged under the UN Convention on the Law of the Sea (UNCLOS), which allows countries to assert economic rights in waters stretching 200 miles from their coast or up to 350 miles if the area is an extension of a continental shelf. At least one of Britain's other claims could be even more contentious: it concerns the waters round the Falklands and South Georgia, the objects of a war with Argentina in 1982. All discussion about Antarctic claims, whether on land or sea, tends to be hedged with words like “hypothetical” and “potential” because of a treaty that bans all economic activity and proclaims the continent a zone of peaceful research. But since both Argentina and Chile contest Britain's Antarctic land claim (and therefore make corresponding claims to the adjacent seabed), the dim possibility exists of an active dispute if the treaty were to collapse.

One argument used to insist that “none of this really matters”—the fact that seabed-mining at such extreme depths is at present physically impossible—is feeble: many forms of deep-sea extraction take place now that would have been technically unthinkable a decade ago. Chile responded to news of the British claim by rather pointedly restating its own, and pledging to reinvigorate its Antarctic research. The subject is bound to come up, at least in small talk, with Mr Ban.

From floes to forests

When the South Korean trouble-shooter leaves Chile, he will head not for Brazil's political or financial centre, but to Santarém in the state of Pará, which includes both some superbly intact bits of rainforest and also areas that have been ravaged by illegal logging. Like all visitors to this enchanted region, he will hear a big variety of sounds, human and animal.

In one respect, every one of his Brazilian interlocutors will be singing the very same song: the Amazonian forest, by its existence, delivers great and desperately-needed benefits to the planet, not just by absorbing carbon and stimulating rainfall, but by maintaining biodiversity. So when negotiators in Bali sit down to dream up a broader and more effective climate-change regime to replace the Kyoto protocol that expires in 2012, they must include the preservation of forests in any new system of rules and financial incentives designed to keep carbon in the ground. Deforestation is estimated to account for between 18% and 25% of the carbon emissions heating the world.

A compelling song, indeed—but if he listens carefully, Mr Ban may detect some variations in the versions rendered by Brazil's central government, by Brazil's regions, and by independent Brazilian scientists and environmentalists, whom he also wants to meet. The authorities in Brasilia want to be rewarded for preserving the forest (and for the recent decline in the annual rate of deforestation) by government-to-government transfers. (That in itself marks a shift in official Brazilian thinking; only two years ago did it drop the idea that any incentive to avoid deforestation could infringe its sovereignty.)

But some regional politicians—especially in the state of Amazonas where the forest is impressively intact—and other local players, including representatives of the indigenous peoples, have endorsed the idea of “market-based” approaches to rewarding them for guarding the trees. They want carbon-trading systems, through which first-world polluters can encourage carbon-saving projects in poor countries, to embrace the rainforests.

AFP

Call me Mr Ban: I'm here to

Up to now, many non-government organisations, including Brazilian ones, **listen**
have been wary of market systems for limiting carbon emissions, saying that they risk letting rich-world emitters off the hook. Both on political and ethical grounds, any solution to climate change must include big, visible sacrifices by the countries and economic players that are most responsible for creating the problem—or so their argument goes.

But that thinking may be changing. In the words of John Sauven of Greenpeace (a British campaigner who works closely with the movement's Brazilian branch), “we are all having to shed some ideological baggage” in the face of a galloping crisis. As he puts it, Greenpeace certainly won't drop its belief that rich people and countries should play their part in abating climate change; but it would be open to any practical solution that preserves the rainforest, and rewards anybody (from regional or local governments to indigenous folk) who helps with this preservation.

One of the problems is that market-based incentives for the “avoidance of deforestation” favour repentant sinners—in other words, those who were chopping down the forest and can prove they have stopped. This could short-change parts of Congo, where (because of chronic civil war, which proved quite healthy for some living things) not much deforestation has taken place recently. One idea, Mr Sauven says, is that rich-world emitters of carbon could be made to pay into an internationally supervised fund on which any government tending the forest might draw.

Independent Brazilian scientists will also clamour for Mr Ban's ear. Some will want to argue that the links between the shrinking rainforests of Brazil, the vanishing glaciers of Chile and the declining ability of the southern oceans to soak up carbon are even closer than the scholarly consensus has so far acknowledged.

A lot of noises, then, buzzing round the head of a Korean who is known as a good listener. And arguments about the eco-system of the southern hemisphere are only part of the backdrop to the bargain that has to be struck—between old carbon-emitters like America, and rising ones like China and India—if the risk of over-heating the planet, leaving it with too much salt water and too little of the fresh kind, is to be averted. The biggest unknown is how far America will overcome its aversion to arrangements that, as some argue, compromise its sovereignty. Advocates of a more internationalist foreign policy scored a victory this week when the Senate Foreign Relations Committee voted 17-4 in favour of ratifying UNCLOS at last. But to gain the necessary 67 votes in the full Senate, they will still have to overcome the nay-sayers who (however unreasonably) see ratifying the convention as a slippery slope, leading to the far more horrifying prospect of an international regime on climate change.

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Economist.com WORLD INTERNATIONAL

Learning and inequality

A man's world?

Nov 1st 2007
From The Economist print edition

Good news: the education gap between men and women is narrowing

FEW things have been more true, and more universally believed, than that women get the rough end of life in poor countries. They bear the burden of child-rearing and a disproportionate share of the work of running the household, and rarely have real equality before the law. Social preferences for boys over girls are deep-seated: in China and north-western India, around 120 baby boys survive to age four for every 100 baby girls.

Yet the sexual balance of power in the world is changing, slowly but surely. New evidence can be found in the 2007 World Development Indicators from the World Bank. It is something to celebrate.

The most obvious changes are in education. In 2004 girls outnumbered boys at secondary schools in almost half the countries of the world (84 of 171). The number of countries in which the gap between the sexes has more or less disappeared has risen by a fifth since in 1991. At university level, girls do better still, outnumbering boys in 83 of 141 countries. They do so not only in the rich world, which is perhaps not surprising, but also in countries such as Mongolia and Guyana where university education for anyone is not common.

As a result, the sexual literacy gap is narrowing. In 2006, according to the World Bank, literacy rates among young women (aged 15 to 25) were higher than they were among young men in 54 of 123 countries. Everywhere, the gap among the young is much narrower than it is in the population as a whole. Educationally, girls have long outperformed boys in rich countries. Now some poor countries are starting to reverse the male advantage.

The same thing is beginning to happen in the workforce—at least judged by the rough and ready measure of the number of women in paid jobs (equal pay for equal work is a different matter). In 2005, 58% of women had paid employment, compared with 84% of men. That is still a substantial gap, but it is closing. Out of 200 countries, 122 saw female workforce participation rise, often quite sharply. Surprisingly, some of the sharpest increases came in the Middle East and North Africa, including Iran, Libya, Syria, Jordan and Tunisia.

Ricardo Hausmann, a professor at Harvard University (and a former Venezuelan minister), argues that the changing male-female balance at school and work will unleash wider changes in the family and society. In general, the more girls there are at school, the higher the educational performance for everyone. So the education of girls should be good for boys, too.

Better educated women help countries move into higher-tech businesses, as is happening in India. Female education is closely correlated with smaller family size, so the growth in the world's population should continue to slow as countries move towards “replacement fertility” and the population stabilises. More wives will also have a better education and (possibly) a higher income than their husbands, which is likely to change family roles profoundly, albeit in unpredictable ways. In short, China's and India's surplus baby boys may grow up into what will be much less of a man's world than their parents can ever have imagined.

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In God's name

Nov 1st 2007
From The Economist print edition

Religion will play a big role in this century's politics. John Micklethwait (interviewed here) asks how we should deal with it

AFP

Get article background

THE four-hour journey through the bush from Kano to Jos in northern Nigeria features many of the staples of African life: checkpoints with greedy soldiers, huge potholes, scrawny children in football shirts drying rice on the road. But it is also a journey along a front-line.

Nigeria, evenly split between Christians and Muslims, is a country where people identify themselves by their religion first and as Nigerians second (see chart 1). Around 20,000 have been killed in God's name since 1990, estimates Shehu Sani, a local chronicler of religious violence. Kano, the centre of the Islamic north, introduced *sharia* law seven years ago. Many of the Christians who fled ended up in Jos, the capital of Plateau state, where the Christian south begins. The road between the two towns is dotted with competing churches and mosques.

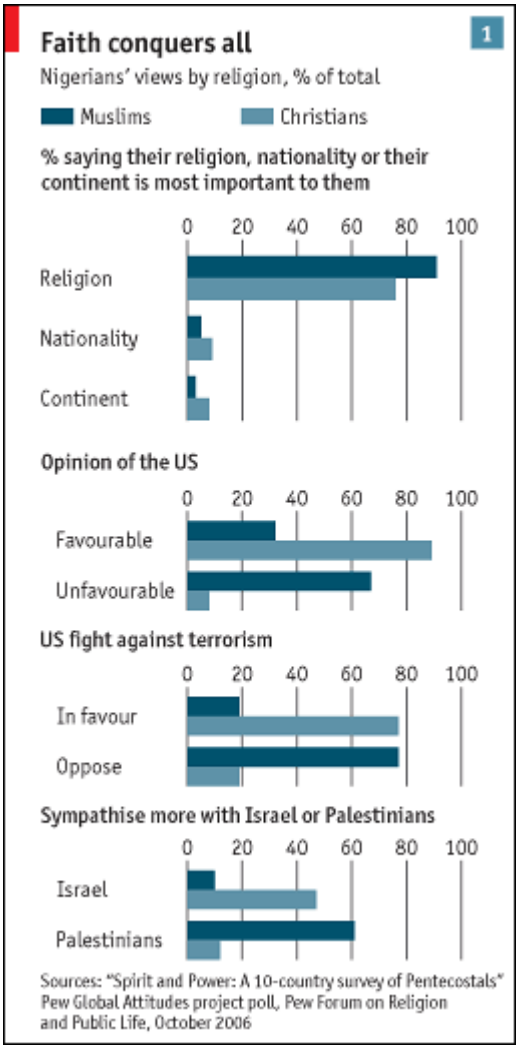
This is one of many religious battlefields in this part of Africa. Evangelical Christians, backed by American collection-plate money, are surging northwards, clashing with Islamic fundamentalists, backed by Saudi petrodollars, surging southwards. And the Christian-Muslim split is only one form of religious competition in northern Nigeria. Events in Iraq have set Sunnis, who make up most of Nigeria's Muslims, against the better-organised Shias; about 50 people have died in intra-Muslim violence, reckons Mr Sani. On the Christian side, Catholics are in a more peaceful battle with Protestant evangelists, whose signs promising immediate redemption dominate the roadside. By the time you reach Jos and see a poster proclaiming “the ABC of nourishment”, you are surprised to discover it is for chocolate.

Recently Christians have been returning to Kano, partly because *sharia* law (which in any case applies only to Muslims) has been introduced sympathetically. None of the bloodier sentences has been carried out. Indeed, the election in April was settled in a reassuringly secular way—with the local political barons swapping cash and ballot papers in the bungalow of the Prince Hotel.

Yet it would not take much for things to boil over again. The Muslim north resents the Christian south's hogging of Nigeria's oil money. When earlier this year the shadowy “Black Taliban” struck a police station in Kano, around 20 militants were killed. In September Muslim youths set shops on fire after rumours that a Christian teacher in the area had drawn a cartoon of the Prophet Muhammad. And the missionaries are still pushing provocatively north. Salihu Garba, a prominent Muslim convert to Christianity (who has survived various assassination attempts), claims that the Evangelical Church of West Africa now has 157 churches in Kano state—double the number five years ago.

The journey from Kano to Jos may seem a trip back in time. In fact, religious front-lines criss-cross the globe.

Most obviously, Americans and Britons would not be dying in Iraq and Afghanistan had 19 young Muslims not attacked the United States in the name of Allah. The West's previous great military interventions were to protect Muslims in Bosnia and Kosovo from Orthodox Serbs and Catholic Croatians. America's next war could be against the Islamic Republic of Iran. Other conflicts have acquired a new religious edge. In the poisonous war over Palestine, ever more people are claiming God on their side (with some of the most zealous sorts living miles away from the conflict). In Myanmar (Burma) Buddhist monks nearly brought down an evil regime, but in Sri Lanka they have prolonged a bloody conflict with Muslims. If India has an election, a bridge to Sri Lanka supposedly built by the god Ram (and a team of monkeys) may matter as much as a nuclear deal with America.



Formerly communist countries are also getting hooked again on the opium of the people. Russia's secret police, the KGB, hounded religion: its successor, the FSB, has its own Orthodox church opposite its headquarters. In the Polish parliament the speaker crosses himself before taking his seat. Some of China's technocrats think that Confucianism, which Mao condemned as “feudal”, is useful social glue in their fast-changing country. But they brutally repressed a Buddhist sect, the Falun Gong, and they are worried that Christian churchgoers may already outnumber Communist Party members.

In Western politics, too, religion has forced itself back into the public square. The American president begins each day on his knees and each cabinet meeting with a prayer. The easiest way to tell a Republican from a Democrat is to ask how often he or she goes to church. And although European liberals sneer about American theocracy, American conservatives claim that secular, childless Europe is turning into Eurabia.

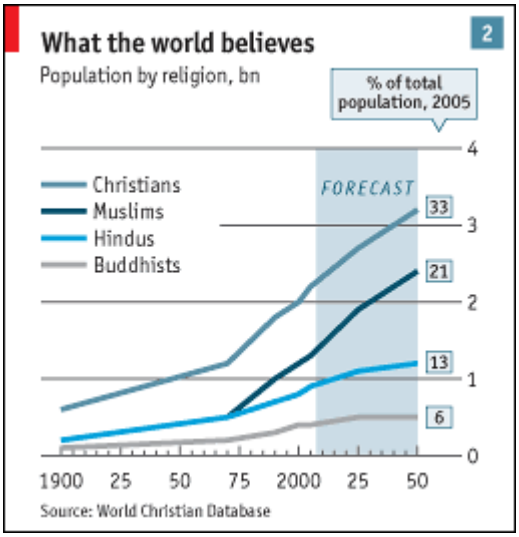
Many secular intellectuals think that the real “clash of civilisations” is not between different religions but between superstition and modernity. A succession of bestselling books have torn into religion—Sam Harris's “The End of Faith”, Richard Dawkins's “The God Delusion” and Christopher Hitchens's “God is not Great—How Religion Poisons Everything”. This counterattack already shows a religious intensity. Mr Dawkins has set up an organisation to help atheists around the world.

Part of that secular fury, especially in Europe, comes from exasperation. After all, it has been a canon of progressive thought since the Enlightenment that modernity—that heady combination of science, learning and democracy—would kill religion. Plainly, this has not happened. Numbers about religious observance are notoriously untrustworthy, but most of them seem to indicate that any drift towards secularism has been halted, and some show religion to be on the increase. The proportion of people attached to the world's four biggest religions—Christianity, Islam, Buddhism and Hinduism—rose from 67% in 1900 to 73% in 2005 and may reach 80% by 2050 (see chart 2).

Moreover, from a secularist point of view, the wrong sorts of religion are flourishing, and in the wrong places. In general, it is the tougher versions of religion that are doing best—the sort that claim Adam and Eve met 6,003 years ago. Some of the new converts are from the ranks of the underprivileged (Pentecostalism has spread rapidly in the *favelas* of Brazil), but

many are not. American evangelicals tend to be well-educated and well-off. In India and Turkey religious parties have been driven by the up-and-coming bourgeoisie.

With modernity now religion's friend, an eternal subject has become fashionable. Father Richard John Neuhaus points out that when he founded his Centre for Religion and Society in 1984, there were only four centres of religion and public life in America; now, he thinks, there are more than 200. Religious people are getting more vocal in all sorts of fields, including business. Religion is also cropping up in economics. Niall Ferguson, a Scottish historian, re-examined Max Weber's theory of the Protestant work ethic to explain why Europeans work less than Americans.



The garden of Eden

Philip Jenkins, one of America's best scholars of religion, claims that when historians look back at this century, they will probably see religion as “the prime animating and destructive force in human affairs, guiding attitudes to political liberty and obligation, concepts of nationhood and, of course, conflicts and wars.” If the first seven years are anything to go by, Mr Jenkins may well turn out to be right.

What has changed? The main protagonists are oddly unhelpful in providing explanations. Believers usually produce some version of “you can't repress the truth for ever.” Sociologists point out that outside western Europe most people have always been religious. Peter Berger, the dean of the subject, chides journalists for investigating the religious rule, not the secular exception: “Rather than studying American evangelicals and Islamic mullahs, you should look at Swedes and New England college professors.”

Yet even if underlying piety has not changed that much, religion's role in public life plainly has. Only ten years ago, most academics and politicians would have dismissed Mr Jenkins's claim about religion being central to politics as weird.

After all, for much of the 20th century religion was banished from politics. For most elites, God had been undone by Darwin, dismissed by Marx, deconstructed by Freud. Stalin forcibly ejected Him, but in much of western Europe there was no need for force: religion had been on the slide for centuries. In Britain the “long withdrawing roar” of Anglicanism that Matthew Arnold lamented faded to a distant echo in the 20th century.

In America the number of churchgoers stayed high, but evangelical Christians retreated from politics, embarrassed by the failure of prohibition and the Scopes Monkey trial (in which creationists were mocked). In 1960 Jack Kennedy assured the country that his Catholicism would not pollute his politics. In 1966 *Time* magazine famously ran a cover asking “Is God dead?”; three years later man reached the moon, metaphorically conquering the heavens.

For modernising post-colonial leaders in the developing world, secularism and progress were indivisible. “The fez”, said Kemal Ataturk, “sat upon our heads as a sign of ignorance and fanaticism.” In India Jawaharlal Nehru wished to make “a clean sweep” of organised religion: “almost always it seems to stand for blind belief and reaction, dogma and bigotry, superstition and exploitation and the preservation of vested interests.” In Egypt Gamal Abdel Nasser, the champion of Arab nationalism, clamped down on the Muslim Brotherhood. Africa's new rulers nationalised the Christian mission schools that had taught them. Even “the Jewish state” deemed religion a distraction: after Israel's founding in 1948 the secular David Ben-Gurion agreed that rabbinical law would prevail in matters such as marriage and divorce partly because he assumed the Orthodox would melt away.

In retrospect, the turning point came long before Osama bin Laden declared his *jihad* on Jews and Crusaders. For Timothy Shah, a scholar at the Council on Foreign Relations in New York who is writing a book on secularism, the symbolic turning point was the six-day war of 1967. It marked a crushing defeat for secular pan-Arabism; meanwhile Israel's “miraculous” triumph gave God a stronger voice in its politics, emboldening the settler movement. In the same year a Hindu nationalist party won 9.4% of the vote in India.

By the end of the 1970s this counter-revolution was in full swing. America had elected its first proudly

born-again Christian, Jimmy Carter; Jerry Falwell had founded the Moral Majority; Iran had replaced the worldly shah with Ayatollah Khomeini; Zia ul Haq was busy Islamising Pakistan; Buddhism had been formally granted the foremost place in Sri Lanka's constitution; and an anti-communist Pole had become head of the Catholic church.

What caused this shift? Believers inevitably see a populist revolt against the overreach of elitist secularism—be it America's Supreme Court legalising pornography or Indira Gandhi harrying Hindus. From a more secular viewpoint, John Lewis Gaddis, a Yale historian, points out that much religious politics dates back to the 1970s, a time when more worldly “isms” seemed to fail. By then, the Soviet Union's evils had made a mockery of Marxism, and capitalism had also hit some buffers (the oil shocks, hyperinflation). More generally, politicians' ability to solve problems such as crime or unemployment was questioned: faith in government tumbled just about everywhere in the 1970s—and has stayed low since.

But why has religion's power seemed to keep on increasing? The first reason is a series of reactions and counter-reactions. Fundamentalist Islam, for instance, has helped spur radical Judaism and Hinduism, which in turn have reinforced the mullahs' fervour. Hamas owes much to Israel's settlers. Without Falwell, Messrs Hitchens and Dawkins would have smaller royalties.

Second, the latest form of modernity—globalisation—has propelled religion forward. For traditionalists, faith has acted as a barrier against change. For prosperous suburbanites, faith has become something of a lifestyle coach. It is no accident that America's bestselling religious book is called “The Purpose Driven Life”.

A hitch for the Hitch

Whatever the exact cause, two groups of people in particular have struggled to come to terms with this new world. The first is politicians, especially practitioners of foreign policy. Realpolitik does not easily cope with the irrational. For instance, religion does not appear in the index of “Diplomacy”, Henry Kissinger's 900-page masterpiece on statesmanship (a mistake, admits the former secretary of state, who now sees some “depressing similarities” with 17th-century Europe).

Mr Kissinger is not alone. Before September 11th 2001, most “big books” (with the exception of Samuel Huntington's “Clash of Civilisations”) predicted a secular end to history. *The Economist* was so confident of the Almighty's demise that we published His obituary in our millennium issue. Madeleine Albright recalls a meeting at the State Department about Northern Ireland in the late 1990s when a diplomat asked despairingly: “Who would believe that we would be dealing with a religious conflict near the end of the 20th century?”

September 11th has changed that. A decade ago, a proposal by the CIA to study religion was vetoed as “mere sociology”; that would not happen now. But mistakes are still made. When America went into Iraq, people worried about George Bush's God-directed foreign policy; in fact it would have helped if Donald Rumsfeld et al had understood more about religion—especially the difference between Shias and Sunnis. “Everywhere we look, we have religious problems,” admits one (born-again) member of the Bush team. “And it is not just Islam. There are the Orthodox in Russia, Hindu nationalism in India, Christians in China...the list is long.”

The other group struggling to deal with religion's role in public life are liberals. When religious belief is plainly unreasonable—for instance, when schools teach creationism—it is easy to fight. But in many disputes there are liberal answers on both sides. Those who are embracing religion nowadays are doing so out of choice. Is it liberal to stop a British Airways worker from wearing a crucifix? Whose rights are being infringed when a majority of people on a Turkish bus ask the driver to stop so they can pray?

A schism in Western liberalism that dates back to its two founding revolutions seems to have reopened. In France, where the Catholic church was the sole faith, the *revolutionnaires* detested God as a crucial part of the *ancien régime*: politics, they declared, henceforth would be protected from this evil. By contrast, America's Founding Fathers, used to many competing faiths, took a more benign view. They divided church from state not least to protect the former from the latter.

This special report is an attempt to tease out these conflicts. It comes with three health warnings. First, many numbers in religion are dodgy: most churches inflate their support and many governments do not record religion in their censuses (in Nigeria the best source is health records). Second, in a field where many believers claim to know all the answers, it poses mainly questions. And lastly, given the emotion

the subject arouses, the chances are that some of what follows will offend you.

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O come all ye faithful

Nov 1st 2007
From The Economist print edition

God is definitely not dead, but He now comes in many more varieties

MENTION a “megachurch” and most people think of a gleaming building in the American suburbs. In fact, many of the biggest churches are outside the United States. In Guatemala, Pentecostals have built what may be the largest building in Central America: Mega Frater (Big Brother) packs a 12,000-seater church, a vast baptism pool and a heliport. One church in Lagos can supposedly bring 2m people out onto the streets. But five of the world's ten biggest megachurches are in just one country: South Korea.

Reuters

Home-cell battery

The largest of them all, Yoido Full Gospel Church, sits opposite the national assembly in Seoul, an astute piece of political positioning. It looks somewhat unprepossessing—a brownish blob surrounded by office buildings—but Yoido boasts 830,000 members, a number it says is rising by 3,000 a month. One in 20 people in greater Seoul is a member.

Each of the seven Sunday services at Yoido is a logistical challenge: apart from the 12,000 people in the main sanctuary, another 20,000 follow the service on television in overflow chapels scattered around neighbouring buildings. Some 38,000 children go to Sunday school during the day. As one service begins and the next ends, around 60,000 comers and goers are ushered by white-jacketed traffic directors. If you want to attend one of the two services starring the church's founder, David Cho, you need to be an hour early or you won't get in.

Not that you will lack entertainment whilst you wait. The massed choir (one of 12) is already belting out hymns, backed by a large orchestra (one of three). The audience sings along, with huge television screens supplying the words, karaoke style. Pictures of the service are beamed to hundreds of satellite churches around the world and to Prayer Mountain, a gruelling religious camp close to the border with the North. Translation is offered in English, Japanese, Chinese, Spanish, French, Indonesian, Malay and Arabic.

By the standards of American preachers, Mr Cho is a relatively unflashy figure. With his glasses, tie and tidy red cassock, he looks like one of the more bureaucratic kinds of Asian politician. His tone is logical and unrelenting. His theme today is “Deliver us from the Evil One”.

Sin and Satan are omnipresent, he argues, but if you ignore their enticements, “your grave is already empty.” As he cites scripture, the passages appear on the big television screens. Mr Cho urges the liberation of North Korea and quotes Edward Gibbon. He then invites people to touch the part of their body that most needs healing. There are shouts of success. After he sits down, a young opera singer performs while the money is collected—by the sackful in gold and scarlet bags—and piled up in front of the pulpit.

Divide and multiply

To Mr Cho's critics, Yoido, like many megachurches, is too much of a business nowadays; and there was a fuss to do with his son running the church's newspaper, Korea's fourth-largest. Yet its beginnings were humble. Mr Cho, who was converted to Pentecostalism from Buddhism by his nurse after he nearly died of tuberculosis, founded Yoido in 1956 in a battered $50 tent bought from the Marine Corps. Like Pentecostals the world over, Yoido's system is rooted in “home-cells”. Most of the praying and converting is done at home, in small groups of around a dozen people. The idea is that these cells, like their biological equivalents, will multiply. Women are crucial. Mr Cho's right-hand woman was his mother-in-law, Jashil Choi, a figure known as “Hallelujah Mama”. Today Yoido boasts 68,000 female deacons—twice the number of male ones. A typical evangelist will make 35 visits a week and drink an unhealthy amount of coffee in the process.

This sort of “viral marketing” might seem untraditional to those used to bishops, cardinals and popes. In fact, Christianity advanced from an obscure sect to the official religion of the Roman empire by focusing on women. Christians stressed fidelity and marriage, which attracted women to the faith, who then bore Christian babies.

The Protestant surge in South Korea has slowed down a bit recently, a development which is variously blamed on changes in school laws and the abuses of some clerical families. Even so, the growth has been phenomenal. In 1950 only 2.4% of South Koreans were Protestant. Now the figure is close to 20%. Counting Catholics (which many Korean Protestants don't), Christians make up close to 30% of the population. “Koreans don't play church,” says an American elder at Yoido.

The people who have flocked to South Korea's megachurches are the upwardly mobile. Asked (in 2004) which faith had been most instrumental in their country's modernisation, 42.7% of South Koreans named Protestantism and 11.3% Catholicism. Hahn Meerha, a professor at Hoseo University, points out that 42% of the chief executives of listed companies and a third of its senators are Protestants. There are monthly prayer breakfasts at the national parliament, and the current favourite to win the presidency in the election due in December, Lee Myung-bak, is the elder of a megachurch.

That is not an undisguised blessing for Mr Lee. If one part of the middle classes has flocked to the megachurches, another is increasingly unhappy about religion's role in society: the same 2004 poll also found that 59% of Koreans thought the churches were going in the wrong direction. When a group of clueless young Korean missionaries were captured by the Taliban in Afghanistan earlier this year, there were widespread complaints in Seoul that the youngsters had been brainwashed into going there as a marketing ploy for South Korea's churches.

Korean Protestantism is certainly export-minded: Yoido sends out 600 missionaries a year. One target is North Korea, which used to be the more Christian end of the country. Yoido already has plans to build a second sanctuary in Pyongyang. Yanbian, a district in China that has a large ethnic Korean population, is choc-a-bloc with missionaries.

But the biggest prize for Christians across Asia is China itself. Some call it “the Africa of the 21st century”, recalling that the number of Christians in that continent rose from below 10m in 1900 to 400m in 2000. Officially, the Chinese government admits to 23m Christians within its borders, but it counts only churches that register with the authorities, and the real figure is probably around three times as high. Most Christians prefer private “house churches”. China even has two Catholic churches, one official and one underground. One Korean ruse is to set up small businesses and get work permits for traders who are really missionaries.

On this rock

South Korea illustrates three features of modern religion: competition, heat and choice. To understand the competitive mechanism, you need only two sacred texts. The first is “The Wealth of Nations”, in which Adam Smith argues that the free market works in religion as in everything else. Non-established clergy, who rely on the collection plate, show greater “zeal” in proselytising “the inferior ranks of people” than the established, salaried sort, who are more interested in sucking up to clerical bigwigs. Europe has been a textbook illustration of this (see article).

The second text is the American constitution. As a refuge for dissenters, America was always closer to Smith's vision, though it was not quite the religious city on a hill its boosters claim. The early Puritans were soon swamped by more venal colonists: in Salem, the zealous town in Arthur Miller's "The Crucible", 83% of taxpayers in 1683 had no religious allegiance. Most of the Founding Fathers thought religion was useful in a squirearchial sort of way, but they were not particularly godly: George Washington never mentions Jesus Christ in his personal papers.

Thus, the First Amendment—"that Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof"—was a compromise between dissenters (who wanted to keep the state away from religion) and more anti-clerical sorts like Thomas Jefferson (who wanted the church out of politics). Yet it became the great engine of American religiosity, creating a new sort of country where membership of a church was a purely voluntary activity.

Look back at the first great success in this free market, Methodism, and it is not difficult to spot where Yoido's growth formula came from. When Francis Asbury arrived in America in 1771, there were barely 1,000 Methodists in the country. By the time he died in 1816, 1m people, one-eighth of the entire population, were attending Methodist camp meetings (the 19th-century equivalent of megachurches). The Methodists paid their preachers only a nominal stipend, gave them no job security and told them to avoid arid theology ("Always suit your subjects to your audience," went the instruction, and "choose the plainest texts you can.")

The constitution explains not just why America still excels at the religion business (the late Peter Drucker, a famous management guru, used to point out that American business could learn a lot from its "pastorpreneurs") but also how it has become a huge export industry. Rick Warren, America's favourite preacher, likens his "purpose-driven formula" to an Intel operating chip that can be inserted into the motherboard of any church; there are now more than 100,000 "purpose-driven" churches in 160 countries. Korea was converted by Americans.

Getty Images

Purposeful Warren

As the Methodists became more hierarchical in the mid-19th century, they began to lose ground to the Baptists. In all likelihood creative destruction will eventually hit Yoido and Mr Warren too. Religion in America tends to come in waves—and the current "awakening" may just be dying down. But an advantage of competition is that it spurs responses. For instance, the recent setback for Korean Protestantism has given a push to Catholicism (whose priests don't have sons to inherit churches). The Catholics are also fighting back against Pentecostals in Latin America, "becoming less Roman and more local", says Harvey Cox, a Harvard divinity professor. In Nigeria Catholic priests have so embraced the habits of their evangelical competitors that the Cardinal of Lagos recently warned them about the "incalculable damage" being done to services by "unorthodox spontaneous prayers by all the faithful at the same time".

Has the same competitive spirit gripped other religions? Buddhism, the religion whose market share has dipped most over the past century, remains pretty passive: its adherents believe that people should discover faith for themselves rather than be energetically introduced to it. But there are some signs of awakening. In South Korea Buddhist monks, often hidden away in inaccessible rural shrines, have set up meditation areas in cities to fight off the Protestants.

Hinduism tends to be more turf-conscious. Some states in India have passed "anti-conversion" laws banning evangelists from using force or "allurement"—code for Christians and Muslims converting Hindu untouchables, who tend to get a raw deal under the caste system. And when it comes to marketing pizzazz, the trendier Hindu ashrams are more than a match for America's pastorpreneurs. The Art of Living, a Bangalore ashram that "is committed to making life a celebration on this planet", has offshoots in 141 countries.

This spirit of competition also helps to explain some of Islam's success. That may sound odd. Saudi Arabia enforces religious orthodoxy with police and prisons. Under many *sharia* systems, apostasy is still punishable by death. And in many Islamic countries mosques get far more financial help and direction from the state than Adam Smith would have approved of. But in fact there is more competition within Islam than at first appears.

Like Pentecostalism, Islam is a religion without much hierarchy: most mosques claim to be following the teachings of one preacher or another, but their real authority comes from the Koran. This helps new imams to set up shop and allows them to do pretty much what they like. But marketing has not been neglected. There are megamosques (one in east London, planned by missionaries, will hold 12,000 people, five times as many as St Paul's Cathedral) and televangelists, such as Amr Khaled, an engaging former accountant from Egypt, whose sermons are watched by millions in Europe and the Middle East. If you want a *fatwa* (religious ruling), you do not have to go to a mosque: you can get it online (and in English) from efatwa.com, muftisays.com or askimam.com.

Islam is not as evangelical as Christianity. Its followers are less intent on spreading the good news; much of their attention is focused on stiffening the resolve of communities that are already Muslim. But Islam is expansionist in some areas, including sub-Saharan Africa and the fringes of China. In Xinjiang province, the state government has got so worried about Muslim separatism that it has cracked down on Islam. China may yet end up being both the world's largest Christian country and its largest Muslim one.

The second lesson from Korea is that hotter religion does better. In the 1960s it was thought that if any sort of religion would survive, it would be the reasonable and ecumenical sort—intellectual Anglicanism, say, or Graham Greene's doubting Catholicism. In fact, certainty has proved much easier to market.

In America the famously tolerant Episcopal Church (which recently elected a gay bishop) has been in decline; the Southern Baptists (who in 1988 denounced homosexuality as “a manifestation of a depraved nature”) have jumped forward. Altogether conservative Christians now make up around 25% of America's population, compared with 20% in 1960.

Hot as hell

In global terms the most remarkable religious success story of the past century has been the least intellectual (and most emotive) religion of all. Pentecostalism was founded only 100 years ago in a scruffy part of Los Angeles by a one-eyed black preacher, convinced that God would send a new Pentecost if only people would pray hard enough. There are now at least 400m revivalists around the world. Their beliefs are not for the faint-hearted. According to a study of ten countries by the Pew Forum on Religion & Public Life, most adherents have witnessed divine healing, received a “direct revelation from God” or seen exorcisms (see chart 3).

The only other Christian faith to grow at such rates is the Church of Jesus Christ of the Latter Day Saints, again hardly an easy-going religion. Mormonism remains a favourite butt of comedians, because of its historic belief (now abandoned) in polygamy and its ban on such worldly pleasures as beer, coffee, tea and “passionate kissing” outside wedlock; there will be more fun poked if Mitt Romney wins the Republican nomination. But clean-living certainty sells: over the past half-century the church has grown sevenfold, with half the world's 13m Mormons living outside the United States.

A living God 3

Pentecostals, % who have....

	witnessed divine healings	received direct relevations from God	experienced or witnessed exorcisms
United States	62	54	34
Brazil	77	64	80
Chile	77	55	62
Guatemala	79	59	62
Kenya	87	57	86
Nigeria	79	64	75
South Africa	73	64	60
India	74	31	41
Philippines	72	58	52
South Korea	56	20	30

Source: Pew Forum on Religion and Public Life, October 2006

The hotter bits of Islam have also gained ground. As American neoconservatives never tire of pointing out, this is partly a matter of Saudi money: petrodollars have flowed into fundamentalist *madrassas* around the world and paid for millions of copies of the Koran with Wahhabi interpretations (for instance, stressing *jihad* as an extra pillar of Islam). But the main driver has been globalisation.

In the Arab heartlands fundamentalism has become a refuge for anyone worried by the spread of Western culture and power. In overseas communities where Muslims are in a minority, notably Europe, it has had far more to do with a search for identity. Scholars such as Olivier Roy have shown that extremism has become a form of generational warfare, with Western-born Muslim girls choosing to wear the headscarf that their mothers jettisoned on their arrival from Pakistan and Morocco.

One final advantage for hotter religion of all sorts is demography. From Salt Lake City to Gaza, religious people tend to marry younger and breed faster than non-religious ones. An ultra-Orthodox Jewish woman

in Israel will produce nearly three times as many children than her secular peer. By some counts, three-quarters of the growth in the hotter varieties of American Protestantism is down to demography.

But heat in religion does not necessarily generate light. Relatively few Muslims have actually read all of the Koran, and although 83% of Americans regard the Bible as the word of God, half of them do not know who preached the Sermon on the Mount. American evangelicals are so worried by fundamentalists being ignorant of the fundamentals that they have set up refresher courses in Bible knowledge.

Nor does the heat always last. “You don't see many graveyards in megachurches,” say the sceptics. Emotional, unhierarchical religion may be gloriously customer-centred, but it lacks a control mechanism. Pentecostal pulpits have been a home to some almighty rogues, and many Muslims would like to bring radical imams under control.

Besides, should religion really be so focused on rounding up customers? Rowan Williams, the thoughtful Archbishop of Canterbury, points to the many things his church does in the fields of social welfare and urban regeneration that pew-focused rivals do not. Pick-and-choose religion, he argues, has less depth. From the front-line in Nigeria, the Catholic Archbishop of Jos makes the same argument. He might be able to push up numbers if he spent his money on television rather than hospitals, and if he did not spend six years training priests. But that is not his job.

The value of choice

The final lesson from South Korea, however, is one that both archbishops admit is crucial. Modern religion is pluralistic and increasingly based on choice.

Often the spur is immigration. Richard Chartres, the Anglican Bishop of London, calls his city “a test case”, pointing to the sprawling number of mosques, Sikh temples, synagogues, African and West Indian churches, even the Church of Scientology. In Latin America, evangelical churches now offer a ready alternative to Catholicism. And in the United States mainstream Protestants will soon account for less than half the population. Although the country remains predominantly Christian, America is home to around 10m other believers (Jews, Muslims, Buddhists, Hindus) as well as 30m agnostics and atheists.

And atheism is definitely part of this pluralism. The proportion of Americans citing no religious preference has increased from 7% to 14% (20% for young people). As Ross Douthat argued recently in the *Atlantic Monthly*, anti-religiosity has moved from America's east-coast elite to the masses. By some counts there are at least 500m declared non-believers in the world—enough to make atheism the fourth-biggest religion.

AFP

Demographic bonus

Choice is the most “modern” thing about contemporary religion. “We made a category mistake,” admits Peter Berger, the Boston sociologist, who was once one of the foremost champions of secularisation but changed his mind in the 1980s. “We thought that the relationship was between modernisation and secularisation. In fact it was between modernisation and pluralism.” Religion is no longer taken for granted or inherited; it is based around adults making a choice, going to a synagogue, temple, church or mosque.

This has a profound affect on public life. The more that people choose their religion, rather than just inherit it, the more likely they are to make a noise about it. Miroslav Volf, director of Yale's Centre for Faith and Culture, says this is showing up in the workplace too: “It used to be that workers hung their religion on a coat rack alongside their coats. At home, their religion mattered. At work, it was idle. That is no longer the case. For many people religion has something to say about all aspects of life, work included.”

The same applies to politics. For instance, South Korea's megachurches have recently created their own version of America's religious right. The New Right movement already has around 200,000 members, around two-thirds of whom are Christian. Its views are somewhat vague. The founder, Jin-Hong Kim, complains about the country's leftward drift, America-bashing, North Korea and corruption. His enemies say the New Right is really just a way to help his friend, Mr Lee, win the presidency. In the primary,

Protestants voted overwhelmingly for Mr Lee. The churches are banned from endorsing candidates, but one prayer at Yoido asks God “to help us choose the right president”.

The rest of this special report will look at the various ways in which religion intrudes into public life—from religion-based parties to attempts to challenge capitalism and science. It begins with the subject that people fear most: the wars of religion.

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The power of private prayer

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A heretical thought about religion in Europe

EVEN in these dark days for the Bush presidency, there is one topic that can make American conservatives smile—religion in Europe. The White House might be going to hell (or at least to Hillary Clinton), but Europe faces a worse nightmare: a continued descent into Godlessness, and then a takeover by Islam.

The second part—the imminent arrival of Eurabia—can be dismissed as poor mathematics. Muslim minorities in Europe are indeed growing fast and causing political friction, but they account for less than 5% of the total population, a tiny proportion by American standards of immigration. Even if that proportion trebles in the next 20 years, Eurabia will still be a long way off.

The more interesting question is whether Christianity will recover. A new book by Philip Jenkins on European religion comes up with some gloomy statistics. Only 20% of Europeans say that God plays an important role in their lives, compared with 60% of Americans. A survey in 2004 found that only 44% of Britons believed in God, whereas 35% (45% among 18-34-year-olds) denied His existence. Only 15% of them go to church each week, against 40% of Americans. Even in the Catholic heartlands of Spain, Italy and Ireland attendance rates have dropped below 20%. And priests are dying out: in Dublin, home to 1m Catholics, precisely one was ordained in 2004.

But there are a few signs of revival. Some of this is of a demographic kind: even in Europe, the religious breed more. Writing in *Prospect* magazine, Eric Kaufmann calculated that in the most secular bits—France and Protestant Europe—the “non-religious” majority (currently 53%) would peak at around 55% in 2040. If present trends continue, by the end of the century there will be more religious Europeans than there are today.

This has to do with recovering Christian belief as well as fertility and immigration. Islam plays a role: where there are lots of Muslims in Britain, the locals are more likely to profess Christianity. But the real change is coming on the supply side: religion is being privatised.

Grace Davie of the University of Exeter argues that there are really two religious economies in Europe. In the old one, religion is “a public utility”: there is one state-backed supplier, and most Christians follow their religion vicariously (in the sense that somebody else does your churchgoing for you). For instance, around 75% of Swedes are baptised as Lutherans, but only 5% regularly go to church. The church pockets a staggering $1.6 billion in membership fees, collected by the state through the tax system. It has been rare for Swedes to opt out, though that seems to be changing.

Alongside this old religious economy, a smaller one, based on personal choice, is growing. Together evangelicals, charismatics and Pentecostals accounted for 8.2% of Europe's population in 2000, nearly double the rate in 1970, according to the World Christian Encyclopedia. Pentecostalism is France's fastest-growing religion. London's immigrant-packed East End is thought to have twice as many Pentecostal congregations as Church of England ones.

However, most evangelicals and charismatics are contained within the older religions. Over 2m Britons have now taken the Alpha course, “an opportunity to explore the meaning of life”, which began at Holy Trinity Brompton, a posh church in Kensington. Richard Chartres, the Bishop of London, uses Alpha veterans to “rechurch” areas of his diocese.

Ms Davie cites two examples of opt-in behaviour within the older churches. First, the number of adult confirmations in the Church of England has risen sharply even as the overall number has fallen. Second, pilgrimages are booming. Some 100,000 hikers a year make the trek across Europe to Santiago de Compostela in Spain; 6m people visit Lourdes and 4m go to Jasna Góra in Poland.

The optimists point out that Europe's churches are roughly as full as America's were before the First

Amendment separated church from state. Hence the importance of the current pope. One rumour is that Benedict XVI would prefer a smaller but more vibrant Catholic church in Europe. In Germany he is said to have argued privately against the churches' lavish state funding. If he took the same line publicly in Rome, that would certainly test the free-market hypothesis.

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The new wars of religion

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An old menace has returned, but in very different forms

EARLIER this year Iran's President Mahmoud Ahmadinejad, speaking to his country's parliament, posed two questions: “Who are our enemies?” and “Why do they hate us?” He described an axis of evil, with Iran's enemies being “all the wicked men of the world, whether abroad or at home”. The root cause of their hatred was religious—a loathing of “whomsoever should serve the glory of God”. Having described George Bush's atrocities, he told the cheering MPs, “Truly, your great enemy is the American—through that enmity that is in him against all that is of God in you.” Fortunately, Iran would not fight alone: it had the support of Muslims around the world. Be bold, he advised, and “you will find that you act for a very great many people that are God's own.”

For Mr Ahmadinejad, read Oliver Cromwell; for Iran, England; and for America, Catholic Spain. The quotes above come from a speech made by Cromwell to the English Parliament in 1656. Parliament then passed an oath of loyalty in which English Catholics were asked to disown the pope and most of the canons of Catholic belief, or face losing two-thirds of their worldly goods. Shortly afterwards Cromwell invaded Ireland.

The Bridgeman Art Library

Oliver's army

“Faith is a source of conflict,” reads a sign at St Ethelburga's Centre for Reconciliation and Peace in the City of London—adding that it can also be “a resource to transform conflict”. Appropriately, the centre was built in a church blown up in 1993 by Irish terrorists, brought up, no doubt, with tales of Cromwell's atrocities.

Conflict, of course, does not necessarily equate to war. But there are some depressing echoes of Cromwell's time.

•Faith is once again prolonging conflict. Religion is seldom the casus belli: indeed, in many struggles, notably the Middle East in modern times, it is amazing how long it took for religion to become a big part of the argument. But once there, it makes conflicts harder to resolve. A squabble over land (which can be divided) or power (which can be shared) or rules (that can be fudged) becomes a dispute over non-negotiable absolutes. If you believe that God granted you the West Bank, or that any form of abortion is murder, compromise is not really possible.

•Once again, politicians are stirring up religious passion. Mr Ahmadinejad may not have told Muslims that the Israeli “has an interest in your bowels” (as Cromwell did of Spaniards), but he has called for Israel's removal and denied the Holocaust. Osama bin Laden rages that Islam is under sustained attack: any Muslim who “collaborates” with the West is an apostate.

American leaders have been more careful, but many use religious imagery. In his new book, “God and Gold” (see article), Walter Russell Mead compares Ronald Reagan's denunciation of the Godless Soviet Union (the “Evil Empire”) to Cromwell's speech. Franklin Graham spoke for many on the religious right when he denounced Islam as a “very evil and wicked religion”. American conservatives seem undecided on whether the battle against “Islamofascism” is the third world war (Newt Gingrich) or the fourth (Norman Podhoretz).

•Once again, outsiders are rushing to defend their religions: religious scraps attract money and soldiers. Just as Guy Fawkes, Britain's most famous religious terrorist, hardened his radical beliefs when fighting for Catholicism in the Netherlands, European Muslims have gone to defend their faith in Kashmir, Chechnya and Iraq. Some of the most fervent supporters of India's *Hindutva* movement come from the diaspora. Many migrants define themselves by their faith, not their new home.

•One of the world's great religions, Christianity, split into Catholic and Protestant in the 16th century. Now Islam is having to contend with a sharpening split between Sunni and Shia. Once again nation states are weak: most Middle Eastern countries are recent creations. And there is a ring of instability on Islam's southern frontier, which runs roughly along the 10th parallel from West Africa to the Philippines.

•Terrorist outrages are once again presumed to have religious connections, as they would have done in Cromwell's time. In the 1970s terrorism seemed to be the preserve of Maoist guerrillas, middle-class Germans and Italians or the then very secular (and partly Christian-led) Palestine Liberation Organisation. Now three out of the four most likely flashpoints for nuclear conflict—Pakistan-India, Iran and Israel—have a strong religious element. The only exception is North Korea.

Wars can be Godless too

It is possible that these similarities could escalate into something horrifying. A confrontation between nuclear Iran on one side and Israel and America on the other would reverberate around the globe. But the idea that the world is reverting to a former age is too simplistic.

Most obviously, humanity can find plenty of reasons for genocide and suffering without troubling God. “The 20th century was the most secular and the most bloody in human history,” argues George Weigel, a leading American conservative. What he calls “the Godless religions of Nazism and communism” killed tens of millions of people. Each had its theory of salvation, its rites, its prophets, its sacred places and its distinctive idea of morality; but communists and Nazis did not use God to stir up passions. The Cambodian genocide was similarly secular.

Where it does exist, religious conflict is now far less of a top-down affair. No government officially approves of killing people solely because of their religion, and no significant religious leader sanctifies that killing by blessing armadas or preaching crusades. Last year the pope took issue with Islam in a speech at Regensburg, but he also opposed the Iraq war. Most Islamic authorities preach non-violence. Ayatollah Sistani, the most revered Shia on the planet, has often urged restraint in Iraq.

Of course, this does not prevent individual clerics from committing appalling acts of brutality: Catholic priests helped torture people in Argentina, Buddhist monks have led murderous attacks in Sri Lanka and imams have encouraged suicide-bombing in Israel. But every zealot interviewed for this special report, including those with blood near their hands, insisted that his religion was peaceful.

Meanwhile, the power of governments to control religious politics has declined. The wars of religion took place in an age of “cuius regio, eius religio”, where the monarch dictated the religion. England once turned to Protestantism because Henry VIII found the Catholic church's rules on matrimony irksome. Nowadays, nobody is trying to improve America's relations with the Middle East by marrying off the Bush

twins to Arab princes.

The new battles

With national armies no longer marching under religious banners, grievances have reappeared in several guises. None of them is easy for the West to deal with.

The one that gets most attention is terrorism—especially Islamic terrorism. States are certainly actors in this: Iran may not openly wage religious war, but it has been happy to back Hizbullah in Lebanon and Hamas in Palestine. But then neither Hamas nor Hizbullah is a purely sectarian organisation. Like the IRA in Ireland, they both have political-territorial objectives.

Most of the main jihadist terrorist organisations are bottom-up affairs. Mr bin Laden would no doubt like to control another state (as he once did from Afghanistan). But his organisation has been able to mount attacks and recruit volunteers without help from a government.

The second way in which religion thrusts itself into politics is inter-communal violence. Once again, other forces are often at work, such as tribalism in Nigeria or nationalism in India. But religion supplies the underlying viciousness. Sectarian violence has been responsible for most of the killing in Iraq in the aftermath of the war. Some 68,000 Sri Lankans have died since 1983. Other, lower-level conflicts, such as Catholics and Protestants attacking each other in Mexico's Chiapas, occasionally flare up. Outside parties can play a role in stoking up such struggles (and supplying arms), as Iran has done in Iraq and Syria has done in Lebanon. But most of these fights have a local, tit-for-tat feel. The violence is often set off by events such as marches, feast days or elections.

Third, there is state-based repression, where religion is either the target or the motivation. In the Muslim world the repression is sometimes by theocracies (like Iran or Saudi Arabia), against irreligious sorts, such as adulterers, heretics and homosexuals. But it also goes the other way, with secular states (Syria, Egypt, much of North Africa) discriminating against religious dissidents. In the most bizarre example, China recently banned Buddhist monks in Tibet from reincarnating without government permission. The religious-affairs agency explained that this was “an important move to institutionalise management of reincarnation”. The real purpose is to prevent the Dalai Lama, Tibet's exiled spiritual leader, from being succeeded by someone from outside China.

Yet the foremost way in which religion has expressed itself around the world has been more peaceful: the ballot box. Religious people have either formed religious parties (such as India's BJP) or converted secular ones into more faith-driven outfits (such as America's Republican Party). In places where religion was frowned upon by the state, such as Mexico or Turkey, greater freedom has allowed the pious to form parties, such as the Catholic-oriented PAN party or the Islamic AK Party.

And it has not just been a case of democracy helping religion. Timothy Shah of the Council on Foreign Relations argues that it can go the other way too. By his calculation, more than 30 of the 80 or so countries that became freer in 1972-2000 owed some of the improvement to religion. Sometimes established churches helped to push for democracy (eg, the Catholic church in Poland), but more often it was pressure from the grassroots: religious people usually look for a degree of freedom (if only to pursue their faith).

All this means that the modern wars of religion are mercifully less violent and all-consuming than their predecessors; but also that tackling the politics of religion is more awkward than it used to be. Culture wars are now global (a subject to which this special report will return).

This complicates foreign policy enormously. Should America focus on the tiny number of angry Muslims with guns, or the millions who have voted for Islamic parties in Egypt, Pakistan, Turkey, Algeria and Palestine? If most religious fanatics were bent on conquest and terror rather than democracy, their causes would be easier to discredit. And if religion were the sole cause of the conflicts, it would be easier to work out “why they hate us”.

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Holy depressing

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Religious politics at its worst

SHEIKH Yazid Khader and Rabbi Yaacov Medan both live in the occupied West Bank. Both are devoutly religious men who feel they have been betrayed by secularists. The sheikh, a local Hamas leader, has just emerged from another bout of Fatah custody (depressing when the rival Palestinians, he says, should both be fighting “the Zionist enemy”). The rabbi, a leader of the settler movement, is still seething about the Israeli government's forcible ejection of its own settlers from Gaza. Both men are obstacles to any chance of peace in the Middle East.

Not that they see it that way. Both insist that their religions are peaceful ones and each has solutions to the current impasse. Of course Israel should keep its settlements in the West Bank (illegal under international law), argues the rabbi: it is part of the land God gave it. But a system of tunnels could be constructed for the Palestinians to find their way round them. For his part, the sheikh refuses to accept Israel's right to exist: Palestine is a *waqf*, land placed by God in Muslim hands for eternity. But if Israel retreats to its 1967 borders, Hamas would generously grant the infidels a *hudna* or truce, initially for ten years.

If you are concerned about religion's effect on politics, there is no more discouraging place to visit than the tiny sliver of land that is Israel-Palestine. Forty years ago the trouble there amounted to a territorial dispute between two fairly secular tribes. Religious Zionism—as opposed to the traditional, secular kind—was a fringe movement. Many of the Palestinian leaders were Christians or Marxists. But the six-day war of 1967 set off a chain of sectarian reactions on both sides. Polls show that most people on both sides still want a two-state solution, but many of the growing number determined to stop such an outcome now enlist God on their side of the argument.

Many of the most ardent fanatics live far away from the Holy Land. For Muslims the indignities heaped on the Palestinians are part of a systematic attack on Islam that must be fought to the bitter end. On the other side, many American Jewish groups will not tolerate the sort of criticism of Israel that is routine in the Jewish state itself. And now there are America's Christian Zionists to deal with: some have rallied instinctively to a tiny democracy battling terrorism, but many think the creation of Biblical Israel is crucial for Armageddon and redemption.

Ignorance rules on all sides. Most Muslims seem totally unaware that Arabs can vote in Israel. Many Jews, even in Israel, are separated from the routine miseries of Palestinian life. American evangelicals are shocked to discover that some Palestinians are Christians.

The picture is not all bleak. Most of the Palestinians who voted for Hamas did so out of despair over Fatah's corruption rather than out of religious fervour. Israel is such an engagingly disputatious place that religious people pop up on different sides, depending on the argument. The ultra-Orthodox, who make up 5% of the population, traditionally attach less importance to land than some more secular Israelis. Many see the same dilemma that convinced their prime minister, Ehud Olmert, of the need for a two-state solution. Thanks to the fast-growing Palestinian population, the dream of a greater Israel increasingly conflicts with the still more precious idea of a Jewish state.

One sad irony of this dispute in the Holy Land is how few holy people are trying to make peace. Rabbi David Rosen argues that the Oslo process collapsed in part because no religious people were involved. It was not until 2002 that a small group of leading rabbis, Muslim clerics and bishops signed the Alexandria Declaration, which condemned violence and insisted that the holy places should be kept open. There have been subsequent meetings (including some recently with Tony Blair and Condoleezza Rice) but progress is beset by practical problems, such as the inability of Palestinian clerics to get through Israel's West Bank barrier.

Whatever the reason, when suicide-bombers strike Israeli towns, too few imams condemn the violence; and when Israeli rockets or shells fall on Palestinian civilians, not enough rabbis speak out. Until that changes, the various children of Abraham will find peace elusive.

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Bridging the divide

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From The Economist print edition

The world's most religious country is still battling with its demons

ON THE face of it, Praveen Togadia is just the sort of Indian the modernising Jawaharlal Nehru might have been proud of. Urbane and sophisticated, he is a cancer surgeon, with more than 10,000 operations to his credit. He hails from Gujarat, one of India's more go-ahead states, currently run by his friend, Narendra Modi, perhaps the most free-market-oriented of the state leaders.

Yet Mr Togadia is also the international general secretary of something Nehru would have abhorred—the Vishwa Hindu Parishad (VHP), one of the three main bodies of the *Hindutva* (Hinduness) movement. Mr Togadia drifted away from medicine towards politics because he became convinced that Hinduism, like Judaism, was a persecuted faith, especially by Muslims. He has played a leading role in the campaign to rebuild a temple at Ayodhya, the birthplace of Ram, one of Hinduism's great trinity of gods. In 1992 Hindu activists tore down a mosque built there by a Muslim ruler.

British Library

Bridge-building Ram

For Mr Togadia, the crucial difference is that “we [Hindus] believe in peaceful co-existence; Islam does not.” But his definition of peaceful co-existence would be queried by India's 150m Muslims, especially those in Gujarat. The state is still haunted by the riots of 2002, which began after a train carrying Hindu activists on their way back from Ayodhya caught fire in a Muslim neighbourhood, and Muslims were blamed for the dozens of deaths. In the ensuing pogrom, 2,000 people died.

In Gujarat's state capital, Ahmedabad, many Muslims are now stuck in an eastern ghetto known as Little Pakistan. “Ayesha”, a widow housed in a gloomy resettlement complex, recalls how her family ill-advisedly took sanctuary in a local leader's house, only for her Hindu neighbours to force their way in, “stabbing, hacking and burning”. There was so little left of Ayesha's husband and one of her daughters that she had trouble getting death certificates for them. Many of the mob were wearing *Hindutva* gear—saffron headbands, or the khaki shorts favoured by those who take part in the movement's early-morning physical jerks.

The place is more peaceful now. “Farah”, a middle-class lawyer who was also forced to retreat to Little Pakistan, calls Mr Togadia “a fanatic”, but she thinks most Muslims have given in: “They are too scared and poor to get anything.” Although Mr Modi's reputation has suffered (he was refused a visa to visit America in 2005), he should get re-elected comfortably later this year.

Ayesha and her friends already worry that the election will be a pretext for more violence. But ghettoisation has radicalised the women in the resettlement complex. They go to the mosque more often and talk approvingly of Osama bin Laden. The otherwise mild Ayesha also praises Saddam Hussein, the

Iraqi leader “who died for Islam”, and wishes a horrible death on Mr Modi and his friends.

City of religious dins

Mr Togadia has survived several assassination attempts. He is now concentrating on trying to stop the (mainly secular) Congress party blowing a hole in a holy bridge, supposedly built by Ram, that links India to Sri Lanka. Congress says that the bridge, which is mainly underwater but visible from the air, is really just a ridge blocking shipping. So far, two people have been killed in demonstrations. Sonia Gandhi, Congress's leader, has already ordered a retreat by her party—though not before Mr Modi had weighed in, asking pointedly what Italians knew about Ram (Mrs Gandhi is an Italian Catholic).

Today's India is a test-tube for religious politics. The birthplace of four big religions (Buddhism, Jainism, Sikhism and Hinduism), it has remained religious even as it has modernised. It was founded in the throes of a religious conflict—partition between Hindu India and Muslim Pakistan. And religion informs three different political conflicts: the external one with Pakistan; an internal one between the Hindu majority and the sizeable Muslim minority; and a rip-roaring debate about religion in the public square.

India has had three big wars with Pakistan (in 1947, 1965 and 1971) and one minor one in 1999. The wars were not explicitly about religion but about the disputed territory of Kashmir and, in 1971, the independence of what was then East Pakistan, now Bangladesh. But religion is crucial to Kashmir, because Pakistan claims that the mainly Muslim state was ceded to India unlawfully by its Hindu maharajah. And some in the *Hindutva* movement think the real territorial crime is the existence of Pakistan itself. Hinduism, they claim, is the religion of “Hindustan”, the whole subcontinent. Maps in *Hindutva* offices have a habit of missing out the Pakistani border.

At the moment India's relationship with Pakistan is relatively peaceful, partly because Pakistan is not in a state to be unpeaceful with anybody. But both sides now have nuclear weapons. And Hindus persistently worry that Indian Muslims are a fifth column. One Hindu nationalist, Prafull Goradia, suggests that Indian Muslims should be forced to take an oath of loyalty (though he would rather Muslims of all sorts moved to Arabia).

Pluralist, in principle

An uneasy relationship with Pakistan was perhaps inevitable; but what would have distressed Nehru particularly is the prominent role played by religion in domestic politics. India's constitution writers tried to get round this in two ways. The first was to embrace pluralism. The new country would be “a sovereign, socialist, secular, democratic republic...Pluralism is the keystone of Indian culture and religious tolerance is the bedrock of Indian secularism.” The second was to go out of their way to provide protection for the (generally poor) Muslim minority.

Many Hindus would add that India was also born with a third force for tolerance: Hinduism. As a religion with countless gods and many sacred texts, it does not lend itself to extremism: there are no rules for governments to enforce.

How did things go wrong? The short answer is that many Hindus, like Mr Togadia, came to see India's “secularism” as a code for favouritism towards Muslims—especially by Nehru's Congress party (which until recently most Muslims voted for). Muslims are allowed to live by their own family law and enjoy plenty of positive discrimination, including subsidies to fly to Mecca. There was also a change in Hinduism: the more mystical strain, *Vedanta*, which preaches the unity of all religions, was challenged by the stauncher *Hindutva* message. *Vedanta* Hindus stayed with Congress; *Hindutva* ones moved to the Bharatiya Janata Party (BJP).

Much of *Hindutva* is officially dedicated to social welfare—especially the Rashtriya Swayamsevak Sangh (RSS), the world's biggest voluntary movement. Every day several million RSS members meet at some 50,000 *shakhas* (or meetings) to discuss the meaning of life and go through their stretching exercises. But *Hindutva* also has a clear political message centred on three issues: a federal ban on the slaughter of cattle; the introduction of a “uniform personal code” (which is itself code for getting rid of a separate family law for Muslims); and rebuilding Hindu temples, especially Ayodhya.

Politics has proved both exhilarating and depressing for the *Hindutva* movement. The BJP, which swept to

power six years after the mosque at Ayodhya was destroyed, has firmly established itself as the party of the aspiring middle classes. The RSS wields enormous power on the right of Indian politics. It has also broadened its arguments, couching them in non-religious terms. Cows, for instance, need to be kept alive for their milk (a “white revolution”, they argue), not just because they are sacred. Ram's bridge to Sri Lanka is essential as a bulwark against tsunamis.

Yet none of *Hindutva*'s main goals has been met. Although most of India's states ban the slaughter of cows, there is no central-government ban; the Ayodhya temple remains unbuilt; the uniform code unpassed. For this many Hindu nationalists blame the BJP; but the truth is that, having never won more than 26% of the vote, it has had to rely on coalition partners, who, like most of the country, are less militant. When they think about it, many Hindus would like a temple built at Ayodhya. But they tend not to think about it, and are appalled at the violence the dispute has spawned.

Especially in its frustrations, *Hindutva* resembles America's religious right. The sprawling offices of the RSS in Delhi are strangely similar in spirit to the Focus on the Family campus in Colorado Springs. Neither organisation is overtly political: the RSS's motto is “United Hindus, capable India” and most of its energy is plainly taken up with social welfare (just as Focus does indeed focus on families). But just like the Christians in Colorado, the Hindus at the RSS are obsessed by politics—and feel just as let down by the BJP as Focus does by the Republicans.

Meanwhile, the *Hindutva* movement has set off a counter-reaction. Secular members of the Congress party, who privately admit that they may have indulged Muslims too much, adamantly defend secularism in public. Muslims too are on their guard. One Muslim politician says he would get into trouble if he visited a Hindu temple. The minority, he says, will always be insecure—especially if that minority used to rule India. Asked whether religion will ever leave Indian politics, he shrugs his shoulders. “That was the dream—but it did not work out that way.”

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Back to the Ottomans

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Why Turkey matters so much to Islam

FOR many Westerners, Hidayet Tuksal is a confusing figure. Headscarfed and imposing, she grew up in a strict Muslim household in Ankara. At university in the 1980s, she focused on the Koran's teaching about women. She has since made a name arguing that much of the discrimination against women in the Islamic world has scant basis in the sacred text (because Eve was described as weak and flawed, it does not follow that all women are). For this she has got into trouble with traditionalists.

AP

The prime minister, his wife and a headscarf

On the other hand, this 44-year-old mother of three is no fan of Turkey's secularist laws, especially when it comes to that headscarf. Because she wears it, she is currently banned from teaching at university. (Had she been younger, she could not have studied there either: the army tightened up the laws on what students could wear in 1997.) From her perspective, Turkey's secularists are stopping her educating Muslim women about their freedoms.

Turkey is buzzing with such arguments. When the (mildly Islamist) Justice and Development (AK) Party came into power in 2002, people joked that it was like electing the Taliban. So far the experience has been revolutionary in the good sense. Under Recep Tayyip Erdogan, the AK Party has occasionally veered off target (at one time he wanted to jail adulterers), but the main emphasis has been on freeing markets and stamping out corruption.

In July Mr Erdogan faced down mutterings from the army and deservedly won a second term. But now secular Turkey is getting worried again. Another Islamist, Abdullah Gul, has become president—an especially controversial appointment because his wife wears the headscarf. Restaurants have become nervous about serving food during the Ramadan fast. Recently a young woman wearing a knee-length tunic and leggings was arrested in Istanbul for “indecent exposure”.

Now Mr Erdogan wants to “modernise” the constitution. The new version would get rid of the headscarf ban at universities. It also keeps some illiberal traits: a clause saying the state should ensure equality between the sexes has gone; an infamous piece of the penal code, which was used to prosecute various writers for “insulting Turkishness”, remains. Many women who supported Mr Erdogan against the army are worried.

How different is Islam?

Turkey matters enormously to two big debates about religion in public life. The first is specifically to do with Islam: how compatible is it with political modernity? The second should be universal: where exactly to draw the line between religion and the modern state? Sadly, Turkey is one of the few Muslim countries where that debate is possible to have.

Merely posing the question of whether Islam is different raises Muslim hackles. They sense a post-September 11th witch-hunt, and with some cause. Every Western schoolboy now "knows" that the Koran promises suicide-bombers will be provided with 72 virgins (not true) and that in Muslim countries you can get stoned to death for being gay (true, sadly, in some places). Yet few Western schoolboys know much about the equally blood-curdling texts of the Old Testament: if you want illiberal family law, Leviticus is hard to beat.

Islamic politics, Muslims continue, is not uniform: Kano is very different from Karachi or Kuwait. And the troubles of Arabia, they maintain, have little to do with religion. They were caused by the Ottoman empire being amateurishly subdivided by the British, invaded by the Americans, occupied by Israel and exploited by the oil companies.

All these things may be true, but they do not stop Islam being different. There are still reasonable questions a dispassionate observer (or a Muslim) should be asking. Why is Islam involved in quite so many modern wars of religion? Why have its believers coped so badly with modernisation? Back in 1700 it controlled three of the world's economic superpowers—the Ottoman empire, Persia and India. Today, despite (or perhaps because of) oil, the Arab world in particular lags behind on most indices of modernity, from the number of books published to investment in science. Political bad luck cannot explain all of this.

The first answer that many Muslims and Westerners jump to—that Islam is stuck in a clash of civilisations with the West—seems unconvincing. Put simply, the main battle is not taking place in that arena. One great irony of the war on terror is that although George Bush has declared war upon jihadism, his enemies devote very little energy to fighting him. The jihadists' main war is not against the West but against apostate Muslim regimes: where they do battle with outsiders, it is mainly against occupying powers—Russia in Chechnya, America in Iraq, India in Kashmir and Israel in Palestine.

New depth to an old split

The two most important arguments about Islam are both internal ones. The first is the doctrinal split between Sunnis and Shias. An ancient disagreement to do with the primacy of various successors of the Prophet has become a greater schism—exaggerated not just by the sectarian killing in Iraq but also by the worries of the Sunni powers, such as Saudi Arabia, about Shiite Iran. Emmanuel Sivan, an Israeli expert on Islam, points out that in the battle for Gaza, Fatah loyalists accused Hamas of being Shia. The same "insult" is used in Nigeria.

The more complicated argument has to do with how much Islam should adapt to the modern world. Westerners, as you might expect, like to split Muslims between traditionalists and modernisers. In fact, the modernisers (people, say, who would like to let women lead prayers) are a tiny group. The main argument is between two sets of traditionalists, with both claiming to be the authentic ones.

The first strain, pushed especially by Wahhabi preachers and Saudi money, argues that nothing of much value has happened in Islam since the first couple of generations of the faith. Corrupted by infidel ideas, Islam must re-centre itself on the Koran. For Muhammad ibn Abd al Wahhab (1703-92), the battle was against the worship of tombs and relics; for his spiritual descendants and other fundamentalists it is against television and Western clothes.

The second strain, while respecting the Koran, points to traditions from a later period—and especially to Islam's capacity to react creatively to new circumstances. The Koran, it argues, is the word of God given to nomadic tribes: it needs to be put into context. This version, which would be the heart of any Islamic reformation, is still the dominant strain in the great universities of Cairo and Damascus. But it has lost out to the Wahhabi strain in countless mosques and *madrassas* around the world.

Worse, from a modernising point of view, this second strain counts for virtually nothing in the main political battle within the Islamic world. That battle has little to do with religious reformation. Rather, as this newspaper described it earlier this year (see article), it comes down to a separate contest between martyrs and traitors.

The martyrs have a simple, coherent message that goes well with the Wahhabi and other Islamist causes: failure in Muslim countries has been due to moral dissoluteness and secularism. Society should be rebased around the Koran. The martyrs' strength is that organisations like Hamas or the Muslim Brotherhood are relatively incorrupt and democratic. On the other side of the argument are “the traitors”—the Arab world's deeply undemocratic regimes, most of them propped up by some mixture of Western might and oil money. Some, such as Egypt, suppress the Islamists in the name of maintaining secularism; others, such as Saudi Arabia, suck up to the radicals. All the traitors in their different ways feed the sly line that Islam is incompatible with democracy.

Neither martyr nor traitor

Is there an alternative to this dismal choice? Some Asian brands of Islam seem better suited to coping with the modern world. The government of Malaysia (which in 2001 controversially decided it had always been an Islamic state) has actively favoured Islam and has increased the role of *sharia* courts, to the yelps of human-rights people; yet it has also presided over a vibrant economy. The tiny emirate of Dubai in the Gulf is another success. But Turkey offers by far the greatest hope.

Historically, the heirs to the Ottoman empire have fallen into the “traitor” category. The West tolerated military interference in Turkish politics, partly because it was told that the alternative—religious extremism—was worse. The AK Party has disproved that caricature. Indeed it marks something new: a party of fervent Islamists, neither traitors nor martyrs. Provided it sticks to its course, it could help normalise the argument about Islam. It would also make it possible for Muslim countries to engage in a more reasonable debate about religion's role in the public square.

Ms Tuksal's problems to do with headscarves and universities might be serious for her; but in many ways they are excitingly normal. France has a similar dispute over whether Muslims can wear headscarves to school. And virtually every rich country is debating the role of religion in education or the acceptability of religious symbols in public life. Britain has had arguments not just about Muslim veils but also about Christian crucifixes, Sikh turbans and Hindu nose studs.

Reuters

Ataturk: the way forward or back?

Why has the public square become so fiercely contested? One reason is that both religious people and their secular opponents are getting more uppity: now that they are both choosing their beliefs, they are damned if they are going to let others boss them around. But in truth drawing a strict line between church and state has always proved enormously difficult.

This newspaper, for example, has always leant towards strict separation, but, like most liberals, it has frequently found that goal conflicting with other ones. For instance, if you support giving poor parents vouchers to choose schools, why shouldn't they pick religious schools—especially when in many inner cities they may be the best choice? In northern Nigeria American aid agencies seeking to promote female literacy faced a choice between giving money to secular schools (which Muslims shun) or to hybrid ones, which mix the standard *madrassa* fare with some Western basics (and are popular with Muslims). The aid people rightly chose the latter—even though some congressman is bound to complain about taxpayers' money going to help Islam.

So it is normal to have disagreement about the public square. But Islam stands out as the religion that brooks the least difference between church and state. In the Christian world, with the tiny exception of the Vatican, clerics have no urge to rule anybody. The Church of England seems embarrassed by having 26 bishops in the House of Lords (as it should be). Christian Democrat parties everywhere tend to treat the first part of their name as silent.

The idea of a firm division between God and Caesar is embedded not just in the gospels but also in Christian history: hence the Holy Roman Emperors' multiple disagreements with the pope. Islam has always left less room for the secular. Unlike Jesus, Muhammad was a ruler, warrior and lawmaker. Islam, which means “submission”, teaches that the primary unit of society is the *umma*, the brotherhood of believers, and it provides a system of laws—*sharia*—for people to live by. As Mark Lilla, an American academic, has argued, there has been no “great separation”: pious Muslims still turn to holy texts for

guidance on all aspects of their lives.

In some extreme Islamic countries *sharia*, a system rooted in medieval traditions, is so strictly interpreted that it is hard to see how women in particular can lead modern lives. In Saudi Arabia a woman cannot drive or go to a mixed gym. *Sharia* seems to work better when there is recourse to a secular system, as there is in Bosnia and northern Nigeria. In Nigeria most Muslims do not bother to go through the federal legal system, because *sharia* is cheaper and quicker.

Turkey is quite different. Its courts are secular. Several of the erotic exhibits at its modern-art fair would have had Saudi Arabia's religious police reaching for their scimitars. But even Ataturk could not stop politics and Islam being intertwined.

Religion in Turkey is run by a government department. The *diyanet*'s main function is bureaucratic: it distributes money to mosques, regulates prayer times and so on. The current *diyanet* president, Ali Bardakoglu, who serves in the AK government, has followed a liberal course. Ms Tuksal approves of his fierce opposition to honour killings. He has also sent out the firm message that Christian evangelicals (who in the past have sometimes been beaten up) should be left alone.

This all sounds very enlightened. But does it make sense for religion to be answerable to the state? The same question could be asked about Britain, where the new prime minister, Gordon Brown, wants to get rid of his powers to appoint bishops, or about the money France spends on Catholicism. But it matters much more in the Islamic world.

Ms Tuksal is a refreshingly modern figure. But Islam plainly is different. Turkey marks the beginning of the faith's debate about the modern world, not the end.

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Stop in the name...

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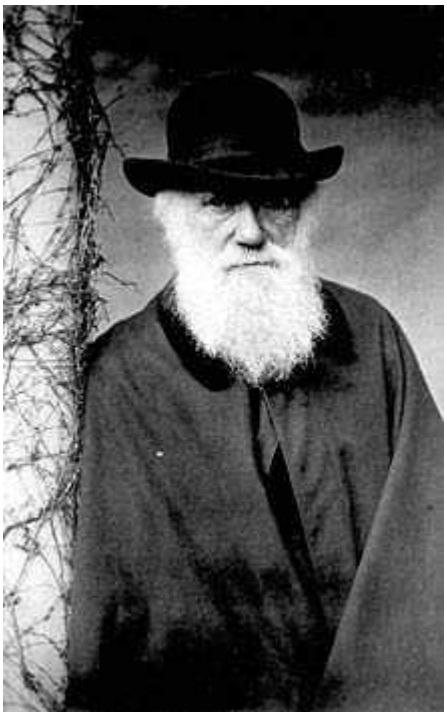
Religion and modernity have a love-hate relationship

WILLIAM BUCKLEY, the grand old man of the American right, once argued that a conservative's duty was to stand athwart history shouting “Stop!” So far this special report has argued that modernity has been surprisingly helpful to religion. The reverse is not necessarily true. Pious people are shouting “Stop!” (or at least “Slow down!”) to things liberals regard as progress. The three main battlefields are culture, science and economics.

Such a sweeping generalisation requires an immediate caveat. The three battlefields are reasonably well defined, but the people fighting on them are not. On the secular side, progressive Parisians and New Yorkers may both be modern, but often have very different attitudes to economics. The religious side is even more fragmented. Conservative American churches tend to embrace modern capitalism, but are suspicious of biotechnology and modern culture; by contrast, leftish American evangelicals are much more bothered about globalisation than about stem cells. The technophobic Catholic hierarchy in Europe is mildly hostile to modern culture, science and capitalism, and technophile Muslim fundamentalists loathe all three.

The Bridgeman Art Library



You say you want an evolution

Slowly a phenomenon that America knows as “the culture wars” is going global. Abortion, gay marriage, stem cells and euthanasia are popping up all over the place as rallying calls for religious people. In many developed countries politics is increasingly driven by problems of identity and values rather than economics.

Another export from America is secular overreach. For instance, liberal-minded judges and politicians from Colombia to South Africa have moved to legalise gay unions. That is admirable, but it often does not reflect the views of their countrymen. In Mexico, *Red Familia* (Family Network), which has ties to conservative businesspeople and politicians, argues that strong family values provide the basis of economic prosperity. Nigeria's Peter Akinola, who runs the largest province in the Anglican Communion, is against gays forming associations. He has a lot of supporters—not least in America, where 35 conservative Episcopalian churches have defected to Nigeria's outfit. Bishop Akinola also illustrates the importance of competition—especially with Islam, a religion that has never been in favour of sexual liberation. The most conservative parts of the Anglican Communion are those fighting hardest for customers.

The traditional culture warrior in the West has been the Catholic church. Under John Paul II, the Holy See increased the number of countries where it has diplomatic representation from 85 to 174. The church concentrates much of its political activity on poverty, health care and education; but it also stoutly defends “the sanctity of life”, fighting against euthanasia, abortion, the death penalty, cloning and, less aggressively than before, contraception. The church makes less noise about gay issues—possibly because of its own recent troubles with child abuse by clerics.

American Protestants are now rallying to the global fight. Focus on the Family has sister organisations in 54 countries. The Mormons' World Family Policy Centre sponsors pro-family scholarship. Human Life International, a Catholic outfit run from Virginia, opposes contraception as well as abortion, campaigns against sex education in schools and defends traditional marriage “open to the creation of life and to caring for children”.

Not all the religious right's crusades overseas are loathsome to liberals. American Christians have helped expose the Sudanese government's atrocities in Darfur and sex-trafficking in Europe. They have also fought hard to get more aid money for Africa and to fight AIDS—even if cash has come with strings

attached (notably preventing any dollars going to abortion). But just as in America, much of their fury is aimed at liberal shibboleths.

One target is the United Nations. In Tim LaHaye's wildly popular “Left Behind” series of books the Antichrist returns to earth as the UN Secretary-General. Two UN conferences particularly roused the religious right's fury: one on population and development in Cairo in 1994 and one on women in Beijing in 1995. Both were dominated by liberal NGOs and the language of “reproductive choice”. Now the UN's proceedings are monitored by the Catholic Family and Human Rights Institute; and various right-wing organisations including Concerned Women for America (which was founded by Mr LaHaye's wife) have become accredited lobbyists at the UN. In March 2005 the General Assembly voted to ban all forms of human cloning, a non-binding vote that still enraged several European countries, particularly Britain.

Meanwhile, down at the lab

Cloning is a reminder that science and religion remain uneasy bedfellows. The anti-scientific nature of church history is sometimes exaggerated. Galileo, after all, got into trouble precisely because he was sponsored by one part of the Vatican. On the other hand, by discovering evolution, Charles Darwin, a respectable Victorian, probably did more damage to religious faith that any priest-hating revolutionary.

Now religion is fighting back. Perhaps the most dramatic single example of its power was George Bush's curtailing of stem-cell research in America, which prompted a mini-exodus of scientists to Europe. But the longer-running dispute remains over evolution.

Much of it is pretty unsophisticated. For instance, Christians in Kenya recently denounced the exhibition of the Turkana Boy—the most complete prehistoric human skeleton—because he inconveniently lived thousands of years before Adam is supposed to have met Eve. A lavish new $27m Creation Museum in Petersburg, Kentucky, aims to set the record straight, showing how huge dinosaurs could have mingled with humans shortly after time began in 4004BC, and how Noah managed to squeeze all the world's animals into a boat only 135 metres long.

The next level up is intelligent design—the notion that evolution does not explain everything, so there must be an intelligent creator. Much of this is refashioned creationism: believers still trying to prove that man might be descended from angels not apes. Intelligent design is now taught in some Turkish schools—thanks in large part to Adnan Oktar, a preacher who set up the Bilim Arastirma Vakfi (Scientific Research Foundation). He claims to have 4.5m followers, and his “Atlas of Creation” has been distributed around the Muslim world and Europe. His organisation also sees links between Darwin and terrorism, fascism and communism.

The battle to get intelligent design taught in schools has suffered a number of legal setbacks—in Russia (where it was supported by the Orthodox church), in Britain and most notably in America, where a judge ruled against a Pennsylvania school board in 2005. But scientists would be wrong to think the issue is dead. In a *Newsweek* poll earlier this year 48% of those Americans surveyed reckoned that God had created humans in their present form in the past 10,000 years.

Nor is the intellectual argument quite won. Most of the cleverer intelligent-design outfits, notably the Seattle-based Discovery Institute, distanced themselves from the Pennsylvania case, where the defendants were too close to creationism for their liking. And a fierce theological debate is under way in the Catholic Church about how to describe the extent to which man is different from other creatures.

The main underlying emotion, even for religious people, does not seem to be belief in God so much as scepticism about science. The worry is that man is getting arrogant, playing with things he barely understands—such as the climate and his genetic code. “The debate is moving away from evolution to scientific ethics,” points out Harvey Cox at Harvard. The fuss about stem cells may have been prompted by abortion, but it has led into a much wider argument about cloning. Crucially, whereas many moderate Christians support stem-cell research, they take a much dimmer view of anything that looks like genetic manipulation. The big battle on science is yet to come.

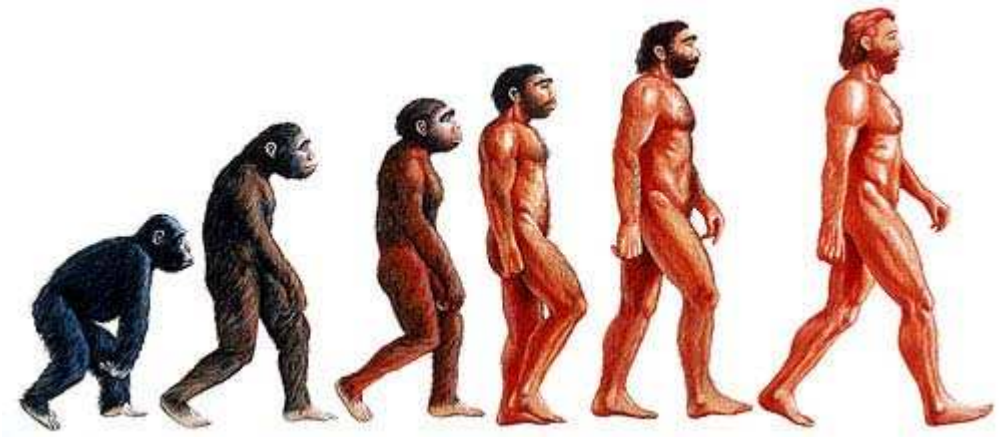
Learning to love the moneylenders

The last part of progress that some pious people seem bent on restraining is capitalism. Ever since Jesus

in the Temple dealt harshly with the hedge-fund managers of his time, many Christians have been suspicious of finance. Some Fabians even hailed Jesus as the first socialist. For a time the Catholic church banned usury; many versions of Islam still do.

But capitalism is also the place where the religious front is least constant. Muslims like to point out that Muhammad was a merchant. Many Protestants claim that the free market stemmed from the reformation. In many countries Pentecostals sell their creed as a way to improve your lot: self-restraint and discipline will make you rich (some churches in Central America even sell management books). The wonderfully named Reverend Creflo Dollar, a New York televangelist, who owns several houses and a private aeroplane, has presumably found his own way to get his camel through the needle's eye.

DGI



Rather intelligent, really

Doubts about capitalism have tended to be voiced by liberal Protestants and European Catholics. Thus the Anglican Church denounced Thatcherism, and Pope John Paul II sounded off against globalisation. A straightforward battle against “neo-liberalism” is still being fought in many parts of the world. Evangelicals have backed left-wingers in some of the poorer parts of Brazil. But increasingly the battle is moving away from opposing capitalism per se to restraining its excesses. Hence the number of Christian organisations attached to fair-trade and workers' rights movements.

One cause that could bring many pious people together is the environment. Religious people, argues Mr Cox, are questioning “an economic system based on the infinite expansion of finite resources”. The religious left has long been involved in greenery. The big change has come on the right. Conservative Protestants in America originally backed their political allies in the oil industry; now more of them are concerned about “creation care”. Biblical disaster seems to suit fundamentalists; hence their interest in greenish books such as Martin Rees's “Our Final Century”.

This debate may soon acquire a geographical dimension. Philip Jenkins points out that by 2050, the time when climate change is expected to start biting, most of the largest Christian countries will be located in the global South: Brazil, Mexico, Nigeria, Congo, Ethiopia, Uganda, the Philippines, China. He thinks that environmental change could spark inter-communal rivalry, recalling the “little ice age” at the end of the 13th century which caused starvation and pogroms, with Christians turning on Jews in Europe and Muslims turning on Christians in Africa and Asia. Mr LaHaye may yet get his Antichrist.

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The lesson from America

Nov 1st 2007
From The Economist print edition

The superpower has mastered the politics of religion at home, but not abroad

WRITING of Calvin Coolidge, H.L. Mencken once observed that he might be dull and smell of boiled cabbage but at least "the president of the United States doesn't believe that the earth is square, and that witches should be put to death, and that Jonah swallowed the whale. The Golden Text is not painted weekly on the White House wall, and there is no need to keep ambassadors waiting while Pastor Simpson, of Smithville, prays for rain in the Blue Room."

There is no firm evidence that George Bush has ever kept an ambassador waiting so that he could talk to his pastor, but given the number of religious figures flowing through the White House it would be surprising if that had never happened. And Mr Bush has done plenty of other Godly things that would have surely made the secular Mencken wince, such as naming Jesus Christ as his favourite philosopher.

Two great questions have run through this special report: where exactly is the line between church and state? And what, if anything, can be done to ameliorate the wars of religion? Both questions lead to America. It is the spiritual home of modern choice-based religion and pluralism. It is also the world's most powerful country. Virtually every conflict to do with religion has ramifications for the White House. And America's experience has been interesting: success in dealing with religion at home, failure abroad.

AP

My place...

Squaring the public

The idea that America might offer some form of model will annoy many Europeans: they detest its moralistic side. Yet the main explanation for America's culture wars is that it is a country full of religious people; not that the system set up by the First Amendment is wrong.

The line that the Founding Fathers drew between church and state still causes controversy. The Supreme Court spends a lot of time on issues such as whether a Christmas crib in a public place can be rendered secular by the presence of a plastic reindeer (yes, though preferably with a Santa as well), or where a state court can display the Ten Commandments (the garden is fine; the building not).

AP

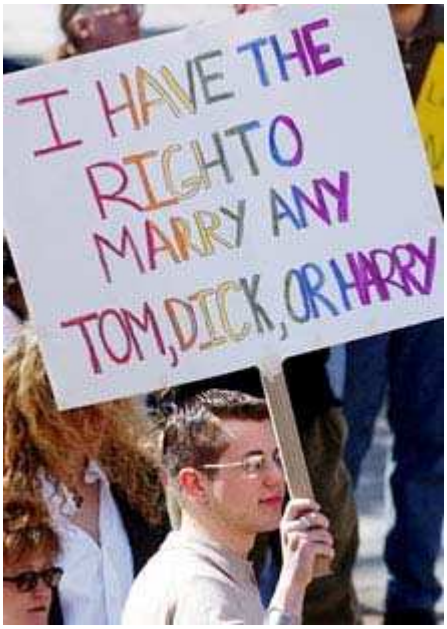
So the detail is messy, but the First Amendment still achieves its two goals. First, churches are firmly kept apart from the state. It is noticeable how religious Americans have to frame their issues in non-religious terms. "Our goal is not the presence of more religion in the public square," says Father Richard John Neuhaus, the author of the seminal "The Naked Public Square". "The goal is to advance a society characterised by more moral deliberation over how we order our life." His complaint is that secularists have used laws that were supposed to separate church and state to promote their own atheistic ideas.

That is a long-standing argument. There was certainly a period in the 1960s when a liberal Supreme Court banned some things that a religious country considered normal (such as school prayers) and permitted others it disliked (such as pornography). But the principle that formal religion should be kept out of politics has been accepted by all. There are no bishops in the Senate, as in Britain, no church taxes,

as in Germany, and no theocracies of the sort that hold back the Arab world.

The constitution, in turn, has also protected churches from the state. Unlike France's avowedly secularist *laïcité*, which is written into the legal code, America has been content to let religious people get on with their business: for example, there has been no fuss about headscarves. As a result, the country's religious life is marvellously varied. Mark Silk of Trinity College in Connecticut argues that there are in fact eight regions of American religion, varying from California's new-age spirituality to Southern Protestantism. The pagan Pacific north-west's unofficial religion, says Mr Silk, is environmentalism.

Nobody would claim the American system is perfect. It did not prevent Protestants in the 19th century using the state to give both Mormons and Catholics a hard time. And it has pushed moral debates, notably the one about abortion, towards the courts, rather than towards the lawmakers (who find them easier to fudge). But if the intention is to create a pluralistic society, America's church-state divide has the same advantage as democracy under Winston Churchill's definition: it is the worst way for a modern society to deal with religion, “except for all those other forms that have been tried from time to time”.



...or yours

The strange thing is that when America has tried to tackle religious politics abroad—especially jihadist violence—it has drawn no lessons from its domestic success. Why has a country so rooted in pluralism made so little of religious freedom? In the cold war, America gained the high ground on human rights by getting friends and foes (including the Soviet Union) to sign the Helsinki Accords. That made it hard to be accused of favouritism.

The US Commission on International Religious Freedom produces interesting annual reports for Congress, but still looks to many foreigners as if it is steered by domestic politics. It has taken the commission until this year to get round to looking at religious freedom in Iraq; and it has not yet looked at Israel (not a leading persecutor, to be sure, but Christians and Muslims moan about things such as security barriers making it hard to visit holy places).

Similarly, in its battle for hearts and minds, America has made scant use of its own Muslim population. “The people of Iran and Pakistan have no idea that American Muslims are free,” laments one Bush adviser. Notwithstanding his use of the word “crusade” once, the president has a good record of visiting mosques and a genuine respect for other religions, founded in his belief that all human rights come from the creator. But this got hopelessly lost in Rumsfeldian shock and awe.

When the West has had to choose between martyrs and traitors in the Arab world, it has backed the latter. It has been hard to do otherwise: who would choose Hamas over Fatah? But when secular Arab governments, like Egypt, lock religious opposition parties like the Muslim Brotherhood out of power, they push pious people towards the extremes. The cost of excluding Islamist groups from discussion is often higher than that of letting them in.

If one part of America's problem has been its failure to exploit its natural advantage, the other, oddly, has been its refusal to admit how much religion is part of public life. A desire to keep religion out of politics may be high-minded (as in the United States Census not asking people about their faith), but it seems unrealistic too. One survey showed that in the period from 1980 to 1999 only half a dozen articles in America's four main international-relations journals dealt with religion.

Not only is religion very much part of this century's politics; it comes in many less clement forms than it does in America. As this special report has made clear, Islam in particular is very different: it demands a greater share of the public square than other religions, and it has adapted least well to modernity. Too often Westerners have made assumptions that turned out not to apply in parts of the Muslim world—such as the idea that religion could be divided from politics or that the prime focus of identity was the nation state and not the *umma*. Moreover, playing down the role of religion in public life also means missing out on many potential solutions. For once religion is part of politics, it must also be part of the solution.

Let faith speak unto faith

If you gather together a group of self-professed foreign-policy experts—whether they be neoconservatives, realpolitickers or urbane European diplomats—you can count on a sneer if you mention “inter-faith dialogue”. At best, they say, it is liberal waffle; at worst it is naive appeasement. But who is being naive?

Back in the 1990s, Douglas Johnson, a former diplomat, wrote a prescient book called “Religion: The Missing Dimension of Statecraft”. Since then he has laboured to bring together religious leaders. His efforts are easy to mock. Mr Johnson talks proudly about getting groups of southern Sudanese Christian and Muslim leaders together in 2000; the results have not been perfect peace. But the religious dimension in the conflict has decreased—and that has increased the (slim) chances of a solution.

AP

Canterbury and Rome talk nowadays

In northern Nigeria, where this special report began, the Catholic Archbishop of Jos gets a lot of stick from his fellow Christians for setting up meetings with the local imam and visiting mosques. “You are sleeping with a snake,” one Protestant preacher told him. But nowadays if there is a flare-up between Christians and Muslims, the imam and the bishop go together to try to sort it out—and that seems to help.

Doubtless something ghastly will happen again soon in Jos that the archbishop and his new friend will fail to prevent. But that does not mean they are wrong to try. Take Ireland as an example. The cycle of violence that Cromwell did so much to create lasted for well over 300 years. Eventually sectarianism involved a tangle of other ideas, including class, economics and crime. The beginning of the end came when preachers from both sides of Ireland's religious divide began to join together to condemn violence. After each atrocity Catholic priests and Protestant pastors stood side by side on bloodied pavements pointing out that the bombers and God had nothing to do with each other. In most other parts of the world that coming together has yet to happen.

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Business books

Kicking ass in an unflat world

Nov 1st 2007 | NEW YORK
From The Economist print edition

Illustration by David Simonds

What the latest crop of business books reveals about trends in management

GIVING crisp, new $100 bills to people willing to pay $27 for your book might seem to be an act of desperation. But only the first 100 customers got lucky, and the giveaway, a promotional stunt for a new book by Donald Trump, an American property magnate, sent a clear message: buying “Think Big and Kick Ass” will make you considerably richer.

This latest tome from The Donald offers shocking revelations (Lee Iacocca, a legendary tough guy and former boss of Chrysler, is a cry-baby), invaluable advice on when to get even (always) and reasons to get a prenuptial agreement (“Look at Paul McCartney, the poor bastard”). It is not the only business book that is soaring up the bestseller lists: so are Alan Greenspan's surprisingly readable memoir, “The Age of Turbulence”, and Timothy Ferriss's “The 4 Hour Work Week: Escape 9-5, Live Anywhere and Join the New Rich”, among others. Business books, it seems, are booming again.

“Business books as a category track the stockmarket—they just do,” says Adrian Zackheim, formerly of HarperCollins and now head of Portfolio, the business-book arm of Penguin. “If stocks are rising, companies are feeling optimistic about their prospects and expense accounts are bigger, people believe there are more opportunities,” he says. Sales plunged after the dotcom bubble burst in 2000, only started to pick up again in 2004, and have so far been unaffected by the recent troubles in the housing market and on Wall Street, which have “just given people new things to write about,” says Mr Zackheim.

Books lionising celebrity bosses also fell from grace after the last boom, but “maybe we are also seeing a resurgence of the cult of personality,” suggests David Goehring, director of the Harvard Business School Press. Harvard does not publish such books, but has been “on a roll” for the past four years, he says. International sales have been especially strong, particularly in China and other parts of Asia, as have online sales.

There is also growing demand from overloaded executives for shorter books. So in January Harvard will launch a new hardback series, “Memo to the CEO”, covering subjects such as lessons from private equity and the future of strategy. Each book will be about 100 pages long and will cost $20. In a similar vein, Harvard has adopted the approach taken by iTunes to pop albums, and has started to sell individual chapters of books online—an idea that has been a hit with academics in particular.

Harvard published the book that marked the peak of the previous cycle, reportedly paying a huge advance to Gary Hamel, a professor at the London Business School, for “Leading the Revolution”, which lionised Enron just as the energy-trading firm entered its death spiral. It has just published Mr Hamel's latest book, “The Future of Management”, which addresses the question posed by the new boom in business books: are all these words making executives any wiser?

“Management is out of date,” Mr Hamel writes. “Like the combustion engine, it's a technology that has largely stopped evolving, and that's not good.” He argues that there has been precious little innovation in management thinking in the past 20 or 30 years. So what is the future of management? Alas, Mr Hamel does not know—or, if he does, he would rather not say after his embarrassing endorsement of Enron. “My goal in writing this book was not to predict the future of management, but to help you invent it,” he writes. Things to bear in mind as you do, he says, include the need for your company to have purpose, to seek out ideas from the fringes, and to embrace the democratising power of the internet—none of which will be news to anyone who has been in business for more than a few minutes.

Rakesh Khurana of Harvard Business School argues that there is a huge opportunity to define the new vocabulary for management in the 21st century, much as happened a century ago around the birth of the bureaucratic large corporation. He has just published a fascinating history of business education, “From Higher Aims to Hired Hands”, which charts the rise and fall of the attempt to create a science of management. In the early 20th century researchers coined such phrases as “hierarchy of goals”, “management by objective” and “matrix organisation”. New terms borrowed from the field of technology are entering the language today, such as network, open-source and collaborative (not to mention think big and kick ass), but these have yet to be defined with enough rigour to allow meaningful comparisons of different companies, says Mr Khurana.

That is demonstrated by Mr Hamel's latest book, which provides fascinating case studies of firms such as Google, Whole Foods Market and Gore-Tex, but draws no conclusion and finds no common factor other than that none of their innovative founders—Sergey Brin and Larry Page, John Mackey and Bill Gore—went to business school. Mr Khurana worries that business-school academics have become too entrenched in their narrow disciplines to play the leading role they once did in defining a new body of management science for practitioners.

His colleague, Pankaj Ghemawat, has written a new book that comes encouragingly close to that ideal. He convincingly challenges, in a readily accessible way, the thrust of Thomas Friedman's hugely popular book, “The World is Flat”. Differences between countries matter enormously, Mr Ghemawat explains, and unless companies seek to understand those differences—which can be cultural, administrative, geographic or economic—their global strategies are likely to fail.

Particularly revealing is Mr Ghemawat's account of how Coca-Cola has gradually developed a global strategy that “neither ignores the differences across countries nor caves in to them entirely—that is, it recognises the reality of semiglobalisation.” This book deserves to be a bestseller, but it may be hamstrung by its strikingly boring title, “Redefining Global Strategy”. If Mr Ghemawat really wanted to think big and kick ass, he should have called it “The World is Not Flat”.

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Social networking

Face off

Nov 1st 2007 | SAN FRANCISCO
From The Economist print edition

An alliance around Google plans to make social networks more open

COULD Facebook, a three-year-old social network and the hottest internet company of the year, soon be as passé as AOL? AOL, you will recall, was a popular but proprietary online service of the early 1990s. But then Netscape's browser made the web easily and widely available, and today AOL is a lumbering unit of a media conglomerate. Another such “Netscape moment” may just have occurred in online social networks.

On November 1st an alliance including Google, the most popular web-search engine, and several other firms announced a plan to make social networks as open as Netscape's browser made the web. The group released a set of standards, called OpenSocial, that allows software developers to write applications that work with any social network that participates. So far this includes Google's network, Orkut, as well as LinkedIn, Ning, hi5, Friendster, Xing, Plaxo and a few others. Together, these have some 100m users, or twice as many as Facebook has. Oracle and Salesforce.com, two business-software firms, are also supporting the new standards.

This is a stark contrast to the approach taken by Facebook. In May it began allowing outside programmers to write applications that run on Facebook pages. But it requires them to learn a new, proprietary software language to do so, so that such “widgets” run only on Facebook. Thanks to the site's popularity, that has not held developers back. But now they also have the option, with negligible effort, to make their widgets available on many other networks. The biggest developers of Facebook widgets, such as Slide, iLike and RockYou, have already said that they will do so.

Marc Andreessen, the co-founder of Netscape in the 1990s and co-founder of Ning, one of Google's partners, believes that the OpenSocial approach is good for almost everyone. First, it is “very, very good for the web”. Second, it is good for Facebook developers, because they can now distribute their widgets elsewhere as well. Third, it is good for anybody who wants to turn a website into an OpenSocial widget, which is very easy.

Facebook itself, Mr Andreessen admits, would “probably prefer to have that proprietary lock-in”, as AOL once did, so it may not be so happy. But Facebook need not be as slow as AOL was in adjusting to an open world. If openness means that social networking becomes mainstream as fast as the web did in the 1990s, all networks could gain. Meanwhile, Facebook is apparently about to reveal a new initiative in online advertising—a field dominated by Google.

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Gap

Clean, wholesome and American?

Nov 1st 2007
From The Economist print edition

A storm over the use of child labour clouds Gap's pristine image

REPORTS of the use of child labour in India could hardly have come at a worse time for Gap, one of America's biggest fashion retailers. Glenn Murphy, the chief executive, has been in his job for only a few months. Sales in September were 7% lower than a year before. And the outlook for the end-of-year shopping season is gloomy. According to a report released on October 30th by the Conference Board, a market-research firm, American consumer confidence fell for the third month in a row in October.

Gap reacted swiftly when evidence appeared in the *Observer*, a British newspaper, that an unauthorised subcontractor had used child workers to make blouses for GapKids at a factory in Delhi. On October 28th Gap said that as soon as it became aware of the practices it cancelled the order, barred sales of the blouses and called for an urgent meeting with local suppliers. “We strictly prohibit the use of child labour,” said Marka Hansen, head of Gap North America.

Since the beginning of the decade Gap has tried hard to be American retailing's ethical model. In January 2006 it was one of several big companies that teamed up with Bono, an activist rock star, to launch Product Red, a new global brand, a portion of the profits from which go towards fighting AIDS in Africa. Gap's suppliers are supposed to adhere to one of the most rigorous codes of conduct in the industry. Their workers must be aged at least 14. They must comply with all child-labour laws on hiring, working hours, overtime and working conditions. Last year Gap stopped doing business with 23 factories that did not meet its standards.

Even so, policing contractors and subcontractors in faraway places is not easy. A big proportion of the company's clothes are made in India, which has become the world's capital of child labour. Of the estimated 218m labourers worldwide who are younger than 14, some 40m-50m are in India, according to the International Labour Organisation (ILO), a United Nations agency, and they account for around 20% of the country's GDP. Gap says it employs 90 people across the globe to supervise compliance with its rules.

But Geir Myrstad, head of the ILO's programme to eliminate child labour, does not buy the argument that monitoring is difficult. If companies are capable of supervising the quality of their products, they should also be able to police their production, he suggests. The ILO is negotiating with the Indian government about carrying out a child-labour survey in the next couple of years. But the government is reluctant to draw attention to the problem. India's commerce minister, Kamal Nath, suggested this week that scare stories about child labour were being used to justify protectionism.

Gap is keen to limit the damage of the revelations in India quickly, with the help of a new policy on violations of its child-labour rules. Rather than simply cutting off factories employing children, Gap imposes an enlightened form of punishment: it requires suppliers to stop using child workers and to provide them with schooling instead, while continuing to pay them regularly and guaranteeing them a job once they reach the legal age.

But how much financial damage will the revelations cause? Howard Davidowitz, a retail consultant, thinks that consumers ignore retailers' ethical credentials. “They want the right look at the right time at the right price,” he says. In his view Gap's main problem is that its products no longer appeal to consumers. Paul Lejuez, a retail analyst at Credit Suisse, predicts that the child-labour allegations will not hurt Gap's image. The group is standing out as a retailer that acts quickly to combat violations of its code of conduct, he says.

Mr Lejuez is also optimistic about Mr Murphy's efforts to turn the company around. But analysts and economists agree that retailers face a difficult few months because of America's tumbling housing market, rising food and fuel prices, and fears of recession. “Everything is working against the consumer,” says Mr Lejuez. And not much is going right for Gap.

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Dubai

Soaring buildings, sliding dollar

Nov 1st 2007 | ABU DHABI
From The Economist print edition

Construction workers in the booming Arab emirate are increasingly unhappy

AFP

The pay's the limit

ON THE outskirts of Dubai, the booming business capital of the United Arab Emirates (UAE), countless unfinished skyscrapers topped with cranes rise from the desert terrain. In a city that is, essentially, a vast construction site, new roads and buildings seem to spring up daily. Maintaining the pace of development is the government's top priority.

But on October 28th thousands of building workers interrupted Dubai's progress by going on strike for two days, hurling stones at police cars and demanding higher pay. This strike followed two smaller incidents this summer and a large stoppage in March, during which workers blocked traffic on one of Dubai's main roads and ransacked the offices of Burj Dubai, which will be the world's tallest building when it is completed, some time in late 2008. But this week's strike had a different aim. Previously, strikers had called for better working conditions; now, their main demand is an increase in wages.

Most workers have fixed contracts with labour-supply companies, and are struggling to cope with rising inflation in the UAE while their salaries remain the same. Official estimates put inflation at 9-10%, due in large part to a lack of housing and high demand for property, but most analysts agree that the true figure is higher.

The falling value of the dollar has also affected workers, especially the unskilled and semi-skilled. Remittances in dirhams, the UAE's dollar-pegged currency, are worth less back home, particularly in India where the rupee is gaining strength. Moreover, the flourishing economy in India, where labour standards and wages are improving, is taking potential workers from the UAE. A scheme launched by the UAE's government in June, which offers an amnesty to illegal workers, has resulted in an outpouring of some 280,000 workers.

All this means recruiters are finding it more difficult to hire workers at today's wages. Still, most analysts agree that the labour shortage caused by the amnesty programme will be short-lived. Although some Indian labourers may no longer wish to work in Dubai, their places will be taken by workers from countries with weaker economies, such as Sri Lanka, Bangladesh and Nepal. And some terms of employment are unlikely to change. There has been little progress towards imposing a minimum wage—though some countries, including Sri Lanka, have demanded it for their nationals—and given the government's ban on unions, workers continue to lack formal representation.

Yet despite harsh punishments—UAE ministers say they will deport the 4,000 workers who took part in this week's riots—the government has responded to workers' complaints in some respects. It recently proposed a new scheme, to be implemented in January, which will ensure workers are paid through an electronic, government-run system rather than in cash by their employers, as part of a campaign against companies that fail to pay workers on time. The amnesty and repatriation programme has also helped to reduce severe ill-treatment of labour, which affects illegal workers particularly.

But the government also wants to keep the potentially restless immigrant workforce under control. It recently backed an initiative by Bahrain to limit the time that unskilled foreign labourers can work in any of the six member states of the Gulf Co-operation Council to six years, to prevent them from becoming too comfortable. This will force companies to recruit and train new workers continually. But none of this yet amounts to more than a minor disruption of the rapid development of a desert metropolis.

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Japanese electronics firms

Chopped chips

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Japan's technology giants are shedding their semiconductor units, sort of

THE main ingredient of a semiconductor is silicon, but it might as well be pyrite, or fool's gold. That is because consistently making money out of chips is notoriously difficult. Cyclical demand means that profits are volatile, and new kinds of chips quickly become commoditised. The business is also highly capital-intensive: a new fabrication plant, or fab, costs $3 billion-5 billion, and new facilities must be built every few years as technology advances.

Accordingly, many Western technology firms, such as Philips, Hewlett-Packard, Motorola and Siemens, long ago spun off their chipmaking units in order to focus on the final products, rather than the bits inside them. Japan's huge electronics conglomerates have largely resisted this “fab lite” strategy. This now seems to be changing, though the companies' willingness to let go fully is still in doubt.

On October 18th Sony said it would put its processor-chip division into a joint venture with Toshiba, which will also buy Sony's chipmaking facilities. Sony will no longer have to make huge investments in chip technology, and will still be sure of a supply of processors for its PlayStation 3 games consoles and other products. Its chip division lost ¥10 billion ($90m) last year, and the company has been getting rid of non-core businesses. Last month it floated its financial-services arm, raising nearly $3 billion. For its part Toshiba, one of the world's biggest chipmakers, will gain economies of scale.

Sanyo, another Japanese electronics firm, had hoped to do something similar. But its plan to sell its semiconductor unit for nearly $1 billion to Advantage Partners, a private-equity fund, fell through on October 16th. Sanyo is owned by a number of investors, including Goldman Sachs, which are doing their best to revive the struggling company by slimming it down to focus on its solar-panel and battery businesses. But the banks financing the purchase of Sanyo's chip unit balked at the price and at Advantage's plan to retain the existing management. Sanyo's announcement that it would keep the unit sent its share price plummeting.

Meanwhile, NEC, which in 2002 turned its chip business into a separate, publicly listed subsidiary, NEC Electronics, has spurned an offer from Perry Capital, a New York fund. Perry is willing to pay $1.3 billion to raise its stake from roughly 5% to 30%, on the condition that NEC relinquishes control of the chipmaker's board. (That works out at a premium of 60% over the average share price in the past three months.) Now Perry is quietly trying to convince other shareholders of the merits of its offer.

Taken together, this action (and inaction) adds up to a test of the willingness of managers at Japan's electronics firms to take rational but uncomfortable decisions. Spin-offs make sense because there are too many firms doing the same thing on too small a scale, and the need to finance new fabs is a drag on the firms' main businesses. In Japan, however, corporate pride often trumps economic logic. Electronics giants are used to being diversified and vertically integrated: they regard selling a subsidiary as akin to amputating an arm. Still, some now see the need for surgery.

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Chinese companies

Trojan dragons

Nov 1st 2007
From The Economist print edition

Chinese firms are taking a new approach to foreign acquisitions

Get article background

THE announcement on October 25th that Industrial and Commercial Bank of China (ICBC) would buy 20% of Standard Bank in South Africa for $5.6 billion was a telling example of China's new foreign-investment strategy. It achieved many objectives simultaneously, some of which are not immediately obvious. If the progress of foreign firms in China sometimes seems a bit like a game of draughts, with companies jumping over themselves to gain better positions, the advance of Chinese firms abroad is more like a game of chess. They are taking calculated steps as part of a long-term strategy.

Until recently Chinese foreign acquisitions generally involved taking majority stakes in oil, gas and commodities companies in developing markets. The largest deal, two years ago, was the acquisition of PetroKazakhstan for $4 billion. Forays into the developed world either failed or succeeded only in picking up ailing businesses, as in Lenovo's acquisition of IBM's shrinking personal-computer division. Attempts to buy stronger firms such as Unocal and Maytag in America ran aground, mostly for political reasons.

But Beijing wants Chinese firms to gain access to foreign technologies, raw materials and skills. It also has lots of money to spend. In September the government established China Investment Corp (CIC) with $200 billion of the country's $1.4 trillion in foreign reserves, mostly to make purchases abroad. Chinese-listed firms have also benefited from a surging stockmarket and are flush with credit.

So the Chinese have adopted a new approach. Majority control is now less important. China Minsheng, the country's first privately owned bank, bought 9.9% of UCBH, an American bank, in September, and China Development Bank has acquired 3.1% of Barclays, a British bank. Influence and access to skills are regarded as more valuable than control. Small stakes are both educational and more feasible politically.

Direct holdings are also less important. Chinese buyers are happy to make investments in intermediate companies, which can be used to take other, less obvious stakes in other businesses. CIC has already invested in Blackstone, an American private-equity group. This week China's social-security fund said it was in talks with three other private-equity firms—Kohlberg Kravis Roberts, Carlyle Group and TPG—to take a minority stake in one of them. CITIC, China's largest securities firm, said on October 22nd that it would take a 6% stake in Bear Stearns, an embattled American investment bank, via a capital and equity swap; Bear Stearns will get 2% of CITIC in return.

Chinese firms are also accelerating their investments in countries where there is less political resistance, where there is good access to other markets or where they can acquire resources or skills. CIC is said to

want to take minority stakes in BHP Billiton and Rio Tinto, two mining giants, to make its supply of raw materials more secure. Cash-rich Chinese insurers are said to be hunting for minority stakes in foreign rivals to obtain management skills.

The ICBC/Standard Bank deal fits snugly into this new mould. Instead of trying to buy a global rival, ICBC has taken a minority stake in Africa's largest bank. This way, it can better (and less obviously) direct Chinese investments in a key continent for future energy and commodity supplies. Through further acquisitions of this sort ICBC will become a bank with global capabilities, says ICBC's chairman, Jiang Jianqing. The deal is a small but important step towards making China a country with global capabilities, too.

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Product placement

In the picture

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From The Economist print edition

Lifting restrictions on product placement will boost Europe's TV industry

THE endeavour is worthy of Soviet-era censors. In Paris, 60 full-time officials of France's audiovisual authority, the CSA, scrutinise more than 50,000 hours of television programming a year to detect, among other things, product-placement advertising, which is illegal in France. Broadcasters that insert products into programmes in exchange for money from manufacturers face hefty fines. Transgressions are rare: five years ago the CSA fined a broadcaster €150,000 ($141,000) for promoting Club Med holiday resorts in “Loft Story”, a reality show.

Strict limits on television product-placement are the norm across the European Union. In 2006 Europe's broadcasters earned just $31m from product placement, according to PQ Media, a research firm. In contrast, American broadcasters raked in $1.5 billion. And American television shows, product placements and all, are legal in Europe. The extra advertising cash has given America's television industry a huge competitive edge.

That is about to change. Last month the EU granted final approval to the Audiovisual Media Services Directive, which removes many restrictions on television product-placement. Member states will have two years to adopt the new rules, which they may modify first. But Martin Selmayr, a spokesman for Viviane Reding, the EU's commissioner responsible for media, says the law is “a major boost” for European television. PQ Media estimates that in 2010, the first year the legislation will be in force across the entire EU, television product-placement revenues will reach €130m, growing to €195m in 2011.

Those numbers may be conservative. Embedding ads within programmes is becoming increasingly attractive as commercial-skipping technologies such as TiVo become more popular. And the real value of product placement to broadcasters is higher than cash tallies suggest. Barter deals, in which companies provide programme-makers with free props, such as cars to blow up, are legal in many European countries. As restrictions are lifted, advertisers are expected to switch towards cash deals, which generally secure better placements. (The value hierarchy, in ascending order, is this: a product is visible; an actor touches it; an actor consumes and comments on it; the product helps a lead actor perform a heroic feat.)

A “clutter” limit will also help European programme-makers. Growth will slow in America as more programmes there hit a product-placement ceiling and start to annoy viewers, says Michael Belch, a product-placement expert at San Diego State University. (Last year “American Idol”, a talent-contest show, sported 4,086 placements.) Europe, by contrast, is virgin territory. That makes the product placements that do occur, often through loopholes or by stealth, especially valuable.

Agencies crafty enough to skirt the regulations make very good money, says Anders Granath, the boss of Propaganda GEM, a placement company based in Geneva. Tricks include “colour-coding” sets and actors' outfits in the hues of company logos, and tweaking dialogue to include words, phrases and themes that evoke well-known advertising campaigns. Propaganda GEM also performs stealth placements via props emblazoned with typefaces used in corporate logos.

Another way around restrictions involves promoting a product category (and not a specific brand) dominated by one company. This method has a drawback, known as “spillover”, because it lifts sales for competitors, too. But its popularity suggests that there is pent-up demand for direct product-placement.

Product placement in films is, for the most part, legal throughout Europe. But television offers three advantages. First, films often flop. A television programme's viewership, by contrast, fluctuates much less, so advertisers know what they are paying for. Second, the suggestive power of placements is especially effective at prompting urge-satisfying behaviour such as munching on snacks or swigging beer conveniently located in the kitchen.

The third benefit is that television programmes generally make it to screens much faster than films do, so

advertisers can better synchronise placements with campaigns in other media. This can involve weaving storylines around brands via last-minute plot changes—and soap operas lend themselves to that more than films do. “It's very easy to support products,” says Gayatri Gill, head screenwriter for “Kasturi”, a popular Indian soap opera which is shot in Mumbai. This helps to explain the galloping growth of product placement in countries with vibrant soap-opera industries, such as Brazil and Mexico, the two largest product-placement markets after America.

Consumer groups lobbied hard to stop a relaxation of the EU's rules. Children's shows and news broadcasts remain off limits, and placements of alcohol and cigarettes are still banned. But there is little chance the EU or its member states will backtrack. Product placement, officials say, will help Europe produce better programmes and protect local languages.

Besides, governments themselves may soon enter the game. Propaganda GEM is in talks with several European government agencies about using television to promote not products, but behaviour. Officials are recognising, says Mr Granath, that paying programme-makers to change the storylines of dramas, sitcoms and soap operas might be more effective than traditional government campaigns to encourage environmentally friendly living, safer sex or staying in school. If product placement sounds scary, policy placement sounds downright sinister.

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Face value

New colours at Benetton

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From The Economist print edition

Landov

Alessandro Benetton must revive the ageing brand at the core of his family's industrial group

HOW do you succeed the founder of a world-famous family business and give it a new lease of life as it faces the rise of innovative rivals and emerging markets? That is the question facing Alessandro Benetton, who stepped into his father's shoes this year as executive deputy chairman of the clothing group that bears the family name. Answering it will not be easy. Benetton has lost its way in recent years: its attempt to expand into America was a flop and it has been overtaken by competitors such as Sweden's H&M and Spain's Zara, which have developed more sophisticated fast-fashion business models. (Sales at Inditex, Zara's parent company, are now four times that of Benetton.) Lately Benetton has invested heavily to bring its technology and logistics systems up to today's standards. Now Alessandro's task is to speed up the recovery and lead the clothing group, which has sales of €1.9 billion ($2.7 billion) a year, into new markets such as India and China.

Fortunately a capacity for corporate reinvention seems to run in the family. Italy's numerous successful family firms usually stay small in international terms. Not the Benettons. In the 1970s they built an international clothing brand on a novel business model: dyeing clothes at the last minute to respond quickly to changes in fashion. During the 1980s they started diversifying into new ventures using the profits from clothes. Their first step was into Formula 1 racing, to promote their clothing brand. Then they moved in when Italy's motorways and motorway-catering services were privatised; their interests in Atlantia (formerly Autostrade) and Autogrill now account for well over half the family's estimated net worth of €9 billion. Having failed to merge Atlantia with Spain's Abertis last year, the Benettons are in the process of raising some €4 billion from partners such as Goldman Sachs and Mediobanca to make other infrastructure investments farther afield. But the clothing business was neglected, even as it financed investments in new areas.

Of the 14 cousins in his generation, 43-year-old Alessandro was the obvious choice to take over from his father Luciano, one of the four family members who launched the firm in 1965. The young Mr Benetton had already made his own reputation as an entrepreneur, having founded one of Italy's early private-equity firms, 21 Investimenti, back in 1993. He ran it as a venture-capital firm, specialising in developing small and medium-sized businesses rather than backing start-ups. Private equity gave him experience in evaluating investments and being an active shareholder, as well as teaching him about the role of management and the discipline of corporate governance. “Other firms generally had a financial focus but at 21 Investimenti we were driven by a strong industrial perspective,” he says. His preferred approach to making money was to pick the right business models for the firms in which 21 Investimenti bought stakes, as you might expect of a graduate of Harvard Business School.

He certainly has a different style from his father, who dresses casually and tie-less, and whose long, curly white hair marks him out in any crowd of businessmen. With his neatly cropped head, white shirt, sober tie and dark blue pullover (Benetton, of course), the young Mr Benetton would not stand out even in the most conservative boardroom. If flair and individuality were the qualities that his father brought to the firm, then structure, business theory and attention to detail are now the order of the day in the Villa Minelli, an elegant 17th-century villa in Ponzano, near Venice, where the clothing group has its head offices.

Mr Benetton's open admiration for his father's achievements is understandable: he cites his father along with Michael Porter, a professor at Harvard Business School and an authority on competitive strategy, plus a handful of other big names, as important influences on his development as a businessman. Yet the clothing group needed to change. “I was clear about its assets—it had enjoyed 40 years of success—but we needed a different approach, one that builds on rather than erodes what has been created,” he remarks. The change began in November last year with the departure of the incumbent chief executive and finance chief and the appointment of a new public-relations team.

The company has spent a busy summer deciding which parts of its past are important for its future, as Mr Benetton puts it. “The book is the same but we have begun a new chapter,” he says. The clothing group is focusing on the time-to-market of its collections—more than 100 each year—which it has been able to cut in the past two years from about two months to about two weeks. As well as trimming this further, Mr Benetton is making heads of divisions more accountable for performance and introducing greater management discipline and financial rigour—all standard stuff in the world of private equity.

Measuring the risk

Having been promised average annual sales growth of at least 7% over the next decade, investors will be watching closely to see how the clothing group performs under its new boss. They will probably also be wondering what parts he has in mind for all those cousins. Mr Benetton says family members who want to be involved in the clothing group are given managerial responsibilities in other businesses first. “We have many businesses, fortunately, as we are a large family,” he observes. Before embarking on his private-equity career, he notes, he spent five years as chairman of the successful Formula 1 racing team, showing that the Benettons could “be serious, competent and competitive in a technical sector—and do other things than just make T-shirts”. Married to a ski champion, Mr Benetton is no slouch on the slopes himself. Investors will be glad to hear that when it comes to high-risk pursuits, however, he is sensibly cautious. Mr Benetton does his skiing early in the morning, when the snow is best and the slopes are empty.

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Award: Business book of the year

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"Zoom: The Global Race to Fuel the Car of the Future", by Iain Carson and Vijay Vaitheeswaran, two of our business correspondents, was one of five runners-up in the *Financial Times* Goldman Sachs business book of the year award. The winner was "The Last Tycoons", by William D. Cohan.

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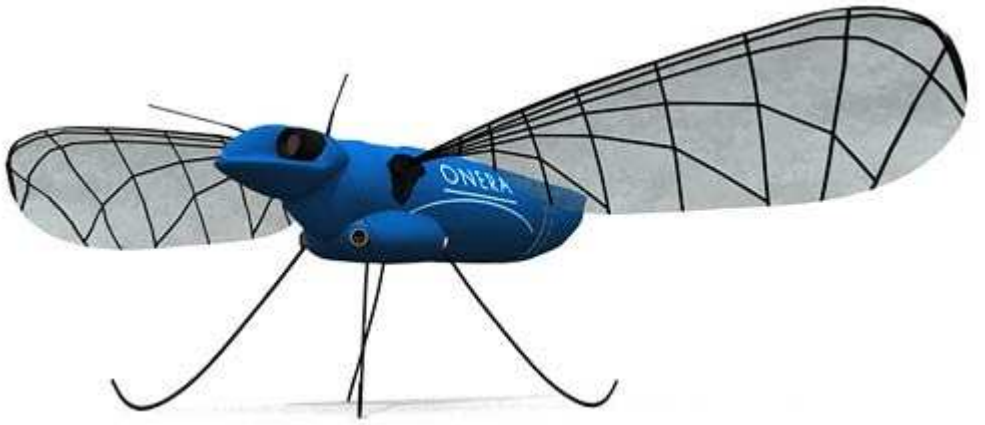
Unmanned aircraft

The fly's a spy

Nov 1st 2007
From The Economist print edition

A new type of flying machine is watching you

Onera



JUST below a half-opened garage door a tiny device can be seen at the feet of someone lurking in the shadows. It looks like a blue dragonfly. Then its miniature wings begin to flap as it slips under the door and darts along the street. After rising through the air it stops to hover outside the window of a building several storeys high. There is an opening on the roof, and it slips inside. As it flits from room to room its video-camera “eye” transmits pictures to a screen on a remote-control unit strapped to the wrist of its clandestine operator.

This is not a scene from a James Bond film, in which 007 tests a new device from “Q”, but an animated video produced by Onera, France's national aerospace centre, to explain REMANTA, a project to develop the technologies needed for miniature robotic aircraft. More bug-like flying devices are being developed in other research laboratories around the world. A few are already small enough to be carried in a briefcase; others are the size of a jet fighter and need a runway for take-off.

Having evolved from military use, drones, or unmanned aerial vehicles (UAVs), are taking to the air in increasing numbers for public-service and civilian roles. They are being operated by groups as diverse as police, surveyors and archaeologists. A UAV helped firemen track the blaze that recently ravaged southern California. The most immediate advantage of a UAV is cost: operating even a small helicopter can cost $1,000 an hour or more, but the bill for a drone is a fraction of that. However, the growing use of UAVs is causing a number of concerns.

The first is safety. Last month America's National Transportation Safety Board (NTSB) completed its first-ever investigation into an unmanned-aircraft accident. Pilot error was blamed for the crash in Arizona in April 2006 of a 4,500kg (10,000lb) Predator B, a type of UAV used by American forces in Iraq and Afghanistan. It was being operated by Customs and Border Protection when its engine was accidentally turned off by the team piloting it from a control room at an army base. No one was hurt, but the NTSB issued 22 recommendations to address what Mark Rosenker, its chairman, described as “a wide range of safety issues involving the civilian use of unmanned aircraft.”

The second concern is privacy. UAVs can peek much more easily and cheaply than satellites and fixed cameras can. Although it is possible to peer into someone's back garden with Google Earth, the images are not “live”—some are years old. Live satellite images can be impaired by clouds and darkness. A UAV, however, is more flexible. It can get closer to its target, move to new locations faster and hover almost silently above a property or outside a window. And the tiny ones that are coming will be able to fly inside buildings. Before long paparazzi will put cameras in them to snatch pictures of celebrities.

Unmanned aircraft have been around almost as long as powered flight. In the first world war they were used as flying bombs and by the second as radio-controlled targets and for reconnaissance missions. In Afghanistan and Iraq they have also been fitted with missiles.

In more recent years the development of unmanned aircraft has become a process of technological democratisation. Lightweight construction materials, engines, microelectronics, signal-processing equipment and navigation by global-positioning satellites (GPS), are all getting more sophisticated, smaller and cheaper. As a result, so have UAVs.

Flown from afar

A Predator, including ground equipment, costs around $8m. It is capable of operating in harsh conditions for more than a day. Even though a Predator may be flying over a remote part of Iraq, it is more than likely being controlled by pilots working in shifts and sitting in front of a video screen thousands of miles away at an air force base in America. Smaller, lighter and simpler UAV reconnaissance systems are being developed for troops in the field. These can be hand-launched, which reduces the need for remote-control piloting skills. Landings can be as simple as cutting the engine once the UAV has returned from its pre-programmed mission, at which point it flutters down to earth on a parachute.

Some hovering types can land automatically. One such device is made by Microdrones, a German company. Their flying machine looks like a small flying saucer with four rotor blades on stubby arms. It is not much bigger than the laptop computer used to program its flight and monitor what it is looking at. It can stooge around for about 20 minutes carrying video and infra-red cameras. Some police forces have started to try it out. Earlier this year British bobbies used one to keep an eye on a music festival, busting people for drug offences and catching others breaking into cars.

The Los Angeles County Sheriff's Department, which operates more than a dozen helicopters, has experimented with a foldaway UAV. It has wings and an electric engine, and can be assembled in minutes for hand-launching. It has a flight time of around 70 minutes. At around $30,000 all in, it is a lot cheaper than another new helicopter at around $3m.

Scientists are using UAVs to help with experiments. The Scripps Institute of Oceanography in San Diego flew a fleet of them in stacked formation over the Maldives in the Indian Ocean last year. They were collecting air samples simultaneously from different altitudes for research into the effects of global warming.

In time, UAVs are likely to be employed for all sorts of jobs for which the use of an aircraft big enough to carry a pilot would be too dangerous, impractical or too expensive. Surveyors, for instance, could use a hovering UAV to inspect the walls of a tall building in a crowded city. A television station could use one to show traffic conditions. And as with all new technologies, unmanned vehicles will have uses that have not yet been imagined.

Already, the technology is so easily available that you can build a basic UAV for around $1,000 from model-aircraft parts, the innards of a GPS unit and a Lego Mindstorms robotics kit—just as Chris Anderson has done. Mr Anderson, the editor of *WIRED* magazine, has set up a website for other DIY-makers of low-cost UAVs.

Not surprisingly aviation officials are watching things closely. “We have just entered a new era, and we have got to be concerned about protecting persons and property,” says Nicholas Sabatini, who is in charge of aviation safety at America's Federal Aviation Administration (FAA).

As the difference between sophisticated model aircraft equipped with auto-pilot systems and cameras and commercial UAVs blurs, the FAA is reconsidering its guidelines for model-flyers. At the moment these basically amount to keeping unmanned planes in sight at all times and away from people, buildings and other aircraft. Britain's Civil Aviation Authority is working with various industry groups to see what new rules may be needed. As a spokesman points out, UAVs will range from large jet-powered machines capable of flying across the Atlantic to tiny devices, so regulations will vary too depending on their size, weight and speed. Below a certain size, unmanned aircraft could be impossible to regulate. Nor would regulation do much to remove a chilling worry: that a UAV could be used as a weapon, to carry explosives or a biological agent.

Blown away

The smallest UAVS are the most intriguing because they will be able to fly in places where it was never thought aircraft could venture. Just how small might these machines be? The REMANTA bug has a total wingspan of less than 15cm (six inches). It flies by flapping its wings a bit like an insect. This means it needs less power than helicopter-type rotors and should be better able to withstand being blown off-course by wind, says Agnès Luc-Bouhali, a member of the project team.

Such a device can fly and be controlled remotely, but it could not yet conduct a mission like that portrayed in Onera's video. “Today, that is a dream,” admits Ms Luc-Bouhali. But the team is working on it. Miniaturising power sources and sensors, and fitting REMANTA with systems to operate semi-autonomously in order to avoid obstacles such as walls are the main areas of future research and development.

Such concerns also occupy researchers at Harvard University. They are working on a fly-like robot which weighs only 60 milligrams (0.002 ounces) and has a wingspan of just three centimetres—about the size of a real fly and so most unlikely to be noticed. This means going beyond scaling down existing components, like electric motors, and trying entirely new manufacturing processes. The Harvard “fly-bot” has flown, but so far only on a tether from which it gets external power.

A different approach is being tried by a team at Britain's Portsmouth University working with a company called ANT Scientific. Next summer the group will enter a robotics competition to be held at a British army urban-warfare training centre. The Portsmouth team is working on a UAV small enough to fit on a hand. Charlie Barker-Wyatt, a member of the university group, says all he can reveal about the device is that it contains sensors, can remain airborne for about 15 minutes, has a range of 500 metres and flies like a “hovering and spinning frisbee”.

Such tiny devices are of less concern to safety officials than bigger UAVs that would cause damage if they hit an aeroplane or crashed to the ground. Until now UAVs have mostly been confined to conflict zones, no-go military areas or remote places. Some operate under the same guidelines as for model aircraft. But they are not welcome in “controlled” airspace, where manned aircraft fly under air-traffic control. The FAA's Mr Sabatini says his agency does not want to stifle their development, but insists it must at the same time maintain safety standards. This means larger UAVs could be considered “experimental” aircraft and allowed to operate in closely controlled circumstances. But until they have some ability reliably to detect and avoid other aircraft they will have to keep clear of controlled airspace.

Some bigger systems operate like manned aircraft even in remote areas. The “pilots” of the Predator that crashed in Arizona were in contact with air-traffic controllers. But NTSB officials were still concerned about UAVs being flown too much like a computer game rather than as they would be if their pilots were on board.

Strict operating conditions for bigger UAVs might suit aviation firms, which are used to regulation and face competition from unmanned aircraft. Evergreen, a big aerospace group based in Oregon, has set up a UAV operation within its helicopter division. It offers relatively large and sophisticated systems for use in long-range operations, like checking on oil rigs, search and rescue, and wildlife monitoring.

Medium-sized systems might also have to be regulated, especially if used commercially. In the case of the smallest UAVs, the genie is already out of the bottle. When such devices are so small they might not even be noticed it would prove extremely difficult to regulate their use.

Unmanned aircraft will become more common, but how they swarm will depend on how safely they are used and how people react to the invasion of privacy. Some UAV missions may not be very welcome at all. “It smacks of Big Brother if every time you look up there's a bug looking at you,” reckons the FAA's Mr Sabatini. Time to buy a good fly swat, perhaps.

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Investment banks

Loss leaders

Nov 1st 2007 | FRANKFURT AND NEW YORK
From The Economist print edition

Illustration by Satoshi Kambayashi

The costs of the credit crunch mount. There may be more pain to come

“THIS time it's different” are the four most expensive words in the English language, runs a saying among bankers. So it has proved at Merrill Lynch, an American investment bank which is ruing a stampede into collateralised-debt obligations (CDOs) and other subprime mortgage-linked nasties. Never mind that most of its CDOs were “super senior” and supposed to be relatively safe. On October 24th the Thundering Herd's senior bulls sheepishly announced write-downs of $7.9 billion on Merrill's mortgage holdings, $3.4 billion more than the bank had estimated only 19 days before. This tipped Merrill into loss. After a few days' testy deliberation, the board tipped its chairman and chief executive, Stan O'Neal, through the nearest window.

The $161.5m that Mr O'Neal grabbed on his way out will no doubt encourage would-be successors to step forward. But the new boss will be taking over at an unenviable time. The mortgage crisis has done more than $27 billion-worth of damage to capital-markets businesses so far. With the value of subprime securities still falling, that number could rise dramatically when fourth-quarter results are unveiled. Hopes that banks would be able to put the worst behind them in a single bad quarter have been dashed. Several bosses, including Citigroup's Chuck Prince, are under enormous pressure to steady the ship.

Big differences in the quality of risk management have become apparent. Merrill's controls were left in the dust as it ramped up its trading bets. Mr O'Neal sacked a senior fixed-income executive who had rung alarm bells last year. The board ignored a warning in April. By contrast, Goldman Sachs and (to a lesser extent) Lehman Brothers appear to have minimised damage through tight oversight and shrewd hedging.

But analysts think Goldman must also have taken some huge gambles to raise third-quarter profits in a difficult market (and despite a $1.5 billion write-down). That happy result may have had as much to do with luck as skill, thinks Roy Smith, a finance professor and former Goldman partner. Remarkably, given the pummelling most banks have taken, Goldman's share price is up by 24% this year. But it still trades at only around ten times earnings, little more than half the average for the S&P 500. “Investors will only pay so much for risk they can't see,” says Mr Smith.

In Europe too, they are struggling to penetrate the murk. UBS, the biggest Swiss bank and long regarded as a leader in risk

management, gave no better answers than any other institution for calculating the future impact of the subprime crisis when it reported its third-quarter results on October 30th. UBS's investment-banking division lost SFr4.2 billion ($3.6 billion) in the third quarter. The bank's value-at-risk, the amount it stands to lose on a really bad day, has shot up (see chart). On 16 days during the quarter its trading losses exceeded the worst forecast by its value-at-risk model on the preceding day. It had not experienced a single such day since the market turbulence of 1998.

In a conference call to discuss the results, Marcel Rohner, UBS's chief executive, and Marco Suter, chief financial officer, struggled to explain the methodology behind their valuation of what seems to be a deteriorating portfolio of subprime securities. Reluctant to give a worst-case assessment of UBS's exposures in future, the best they could do was predict that the investment-banking division would not make a profit in the fourth quarter. They also promised to de-emphasise proprietary trading and to make traders think harder about their bets by raising the proportion of pay they receive in UBS shares.

Down the Bahnhofstrasse, Credit Suisse managed rather better, recording a small profit in investment banking despite big write-downs of its own. Germany's Deutsche Bank has navigated its way through the credit storm more deftly too. Its third-quarter write-offs, which were announced on October 31st, were nothing like those reported by Merrill and UBS, and were in line with predictions. At €179m ($259m), the bank's net loss in corporate banking and securities was modest. Deutsche's exposure to the American mortgage market is more or less hedged; in fact the bank has a net short position.

Nevertheless, investment bankers at Deutsche and Credit Suisse have relied on the banks' “stable” businesses, such as wealth management and private banking, to keep them afloat. The challenge facing them and their brethren is where next to find the juicy returns that they enjoyed before the credit bubble burst. There is already a lot of talk about commodities and currencies. Investments in distressed assets may also provide ironic comfort. Lehman has just launched a $3 billion fund that will buy discounted leveraged loans.

The more troubling question is how much more pain still lies ahead. Banks say they are following guidelines put out by the big accounting firms when valuing lumpier assets, but there is still plenty of room for subjectivity. It is possible that some banks will mark their assets down too far, and will be able to mark them back up at a later date. Or it may be that Merrill is using a more cautious methodology than other banks, and that they will have to take big hits of their own. (Merrill itself is expected to write down another $3 billion-5 billion in its fourth quarter.)

Auditors are urging the banks to mark assets to a “market price” that reflects recent transactions, even if there have only been a couple of these. With some AAA-rated CDOs trading at a mere 20 cents on the dollar, that can be painful (Deutsche Bank says it sold or otherwise unloaded €9 billion-worth of CDOs in the third quarter but is coy about saying how or at what price). Investors worry that banks will obscure the true value of their assets, hoping that prices rise.

But all the signs are that prices have further to fall before buyers are tempted to step in. Dilatory rating agencies are only now getting round to downgrading the most senior CDO tranches. In America, credit-card defaults are ticking up, which will further hurt asset-backed securities. Many subprime-linked instruments have become prohibitively expensive to hedge. Mr O'Neal fell in a falling market, but perhaps nearer the top than the bottom.

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Buttonwood

Kings of the wild frontier

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From The Economist print edition

Why emerging markets are flavour of the moment

FOR anyone with memories of the economic crises of the past 25 years, recent talk of emerging markets as the new safe havens of the financial world might seem, at best, a little fanciful. At worst, it might seem the height of hubris.

But think back to August. When global markets wobbled, it was a debt problem in America, not Argentina or Thailand, that lay behind the turmoil. Whereas in the past emerging markets were normally the first casualties of investors' risk aversion, this time they stood firm.

Of course, emerging markets have changed. Many of their traditional problems were caused by their dependence on “hot money” from the developed world to finance current-account deficits. But now emerging markets are (in aggregate) in surplus and the developed world is in deficit. Instead of worrying about devaluations of emerging currencies, investors are hoping (and some politicians are demanding) that those currencies will be allowed to appreciate.

Perhaps the biggest sign of change is in the debt markets. Back in 2002, emerging-market bonds offered a yield a full ten percentage points higher than American Treasury bonds. This year, although spreads have widened from the historic lows seen in May, they have settled at a modest two percentage points or so.

The performance of the equity markets has also been impressive. The MSCI emerging markets index has risen by nearly 40% so far this year, a remarkable achievement given the credit crunch and geopolitical worries. Although China's stockmarket has more than doubled, this is not all about the People's Republic; the Polish, Indian, Brazilian and Pakistani markets are all up by more than 40%.

Indeed, investor focus is now shifting towards what Michael Hartnett of Merrill Lynch dubs “the *emerging* emerging markets”, such as Botswana and Kazakhstan. MSCI is in the process of launching a benchmark for such exotica called the “frontier market” index.

One reason why emerging markets may be doing so well is the “1999 theory”. Just as in the late 1990s, there has been a financial crisis (back then, the collapse of Long-Term Capital Management, a hedge fund; this time, the credit crunch) that has prompted the Federal Reserve to cut interest rates. What followed in 1999 was a liquidity-fuelled rally that led to the dotcom bubble; this time around, emerging markets seem to be the asset of choice.

In particular, investors have focused on the concept of “decoupling”, the idea that Asian economies have developed a self-sustaining momentum that leaves them no longer dependent on the American superpower. Although this theory has yet to be tested by a full-blown American recession, the subprime crisis has not had much impact on Asian growth so far.

A more cynical explanation is that many emerging countries “import” American monetary policy via a dollar link. The Fed's interest-rate cuts in response to August's turmoil thus represented an easing of policy at a time when many emerging economies were already booming. The result, say some, is another bubble, which is showing up everywhere from China's stockmarket to the price of gold, now approaching $800 an ounce.

Those looking for bubble indicators have further evidence to hand. According to Morgan Stanley, September saw inflows into dedicated emerging-market equity funds of $15.7 billion, the largest monthly figure ever recorded. Between late August and October 25th, almost $34 billion flowed into such funds, more than the annual totals for 2005 and 2006.

Emerging markets now trade at a higher multiple of profits than developed markets, a development that has in the past been associated with peaks in emerging-market share prices. Even more significantly, emerging countries that have not enjoyed the same economic improvements as others have still benefited from investor enthusiasm. As Tim Lee of pi Economics points out, the Turkish lira is as strong against the euro as it was in 2002, even though its current-account deficit is running at around 7% of economic output and its inflation rate has been significantly higher than that of the euro zone over the past five years.

However, as those who bet against dotcom stocks in 1999 discovered, it can be a lonely business waiting for a bubble to pop. Jonathan Garner of Morgan Stanley says that recent fund flows into emerging markets represent a re-allocation of just three-hundredths of one percentage point of global wealth. Emerging-market assets make up only 2.1% of all money invested in American equity mutual funds. And soaring commodity prices will only make those emerging economies look stronger.

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The Federal Reserve

Another notch down

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The Fed cuts interest rates again

Get article background

FAINT-HEARTED or far-sighted? On October 31st the Federal Reserve gave financial markets what they had wanted and expected: a quarter-point cut in the federal funds rate, to 4.5%. Despite some internal misgivings and one outright dissenting vote, the central bankers decided that the risks to America's economy warranted slightly cheaper money.

The logic is simple enough. Credit markets, though not as chaotic as in the late summer, are still fragile. And the outlook for the economy has darkened in recent weeks as the housing bust has deepened. The pace of home-building is plunging; big falls in applications for building permits suggest more declines ahead. House prices are falling too. The latest figures from the S&P/Case-Shiller index of 20 big cities suggest that the average house price in August was 4.4% below its level a year before. Consumers are feeling nervous. One widely watched index of consumer confidence fell for the third month in a row in October, to its lowest level in two years.

Add soaring oil prices to the mix and there is a real risk that Americans will slow their spending sharply, dragging the economy down. At the same time underlying inflation seems broadly under control. The Fed's favoured price index, the core personal consumption expenditure deflator, which excludes food and fuel, rose by 1.8% in the year to the third quarter.

These are all sensible arguments for lower rates. Nonetheless, this week's decision carries risks. One is tactical. The Fed has validated the impression in financial markets that investors' expectations drive the central bankers' decisions. It has done nothing to dispel the idea that if Wall Street clamours loudly enough for a rate cut—and futures markets price one in with any degree of certainty—the Fed will oblige. The Greenspan put has in effect been replaced by the Bernanke pushover.

The second risk is that the central bankers pay too much attention to potential weakness while underestimating the dangers from inflation. Although there are ill omens aplenty, the economy's resilience thus far has been remarkable. The first estimates of third-quarter GDP growth, published on October 31st, suggest that despite the onset of the credit crunch in August, output accelerated over the summer, growing at an annual pace of 3.9% between July and September, thanks in large part to surging exports. That is more than analysts had expected and far faster than the economy's underlying speed limit.

Early estimates of America's GDP growth are often revised down markedly. Nonetheless, the economy can withstand a pretty dramatic slowdown from this blistering pace before things get dangerous. By the same token, today's benign core inflation figures may be understating price pressures, particularly given the falling dollar and record oil prices.

The central bank's officials are clearly aware of these possibilities. The statement accompanying this week's rate decision was explicitly neutral about future action. “The upside risks to inflation roughly balance the downside risks to growth,” it said. In other words, don't take more rate cuts for granted.

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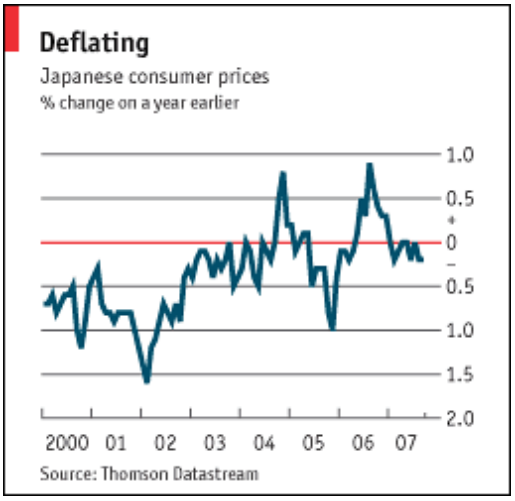
Japan's economy

Rate expectations

Nov 1st 2007 | TOKYO
From The Economist print edition

The Bank of Japan wants to raise interest rates. The economy won't let it

Get article background



PITY Toshihiko Fukui, the governor of the Bank of Japan (BoJ). He has signalled with semaphoric precision that he wants to tighten monetary policy. After six years of keeping interest rates at zero while the country clawed its way out of a recession and banking crisis, the BoJ raised rates in July 2006 and February 2007 but they remain at a paltry 0.5%. Mr Fukui had wanted to "normalise" Japan's rates before handing the reins to a successor in March. But the economy is being disobliging.

In its latest semi-annual economic outlook, released on October 31st, the BOJ said that the Japanese economy is "expanding moderately". Put more frankly, the recovery is extremely fragile. Housing starts have dropped. Prices are stubbornly falling. Consumer spending is sluggish, partly because wages are declining and unemployment has started to inch up. Business sentiment is mixed. Big cities and big companies are enjoying grand times; rural areas and small firms are struggling. Although land prices appear to be booming, prices nationwide are falling once sales in Japan's three biggest cities are stripped out.

As a result the BoJ revised its forecast for GDP growth this year downwards, from 2.1% to 1.8%. It also now expects consumer prices to remain static in 2007, rather than increase fractionally, as it predicted six months ago. Since the BoJ has based monetary policy on economic expansion and price inflation, that weakens the justification for higher interest rates.

It does not help that America's Federal Reserve is lowering interest rates despite greater inflationary pressures. Nor that uncertainty about the impact of America's subprime mortgage crisis continues to darken the economic outlook—Mitsubishi UFJ, the country's biggest bank, announced outsized write-downs on subprime-related investments on October 29th, as did Nomura two weeks earlier.

No surprise then that the BoJ decided to forgo a rate rise at a meeting on October 31st. That may seem sensible. The bank is scarred by the memory of raising rates by a meagre 0.25% in August 2000, only to see a nascent economic recovery falter, forcing it to reverse tack and lower rates again.

But if overly high rates can constrain an economy, then overly low ones do their own damage. As the summer's financial turmoil has shown, capital is likely to be allocated poorly when borrowing is too cheap. Mindful of Japan's property boom, policymakers worry that if expectations of low interest rates become entrenched, new bubbles will result. Some argue that the very weaknesses that the BoJ considers when it holds off from increasing rates would be remedied if only it raised them. Even so, Mr Fukui is unlikely to see his hopes of normalisation fulfilled before he steps down.

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Oil

Super-spiked

Nov 1st 2007
From The Economist print edition

The price should fall—eventually

BACK in 2005, in an apparent flight of fancy, analysts at Goldman Sachs predicted a “super-spike” in the oil price to $105 a barrel. On October 31st, the prediction came as close as it ever has to fulfilment, when the price of West Texas Intermediate reached $94.74 during the New York day and breached $96 after hours. But the investment bank's seers are no longer sure that it will hit their mark soon: the “downside risks” to the price, they had warned investors the day before, were “gaining momentum”.

The price increases of recent months have stemmed from a marked drop in stockpiles of oil, particularly in America. That indicates that the world is using more than it is producing. Inventories normally dip in summer, when drivers take to the road, pushing up demand for petrol, and in winter, when demand for heating oil surges. In autumn and spring, by contrast, stocks usually rise. But so far this year, there has been no sign of the typical seasonal increase—prompting oil traders to worry that when winter sets in, the world will be short of oil. The prospect that the American economy might grow faster than expected thanks to interest-rate cuts has also fuelled concern.

When stocks are low, minor reductions in supply become significant. A recent jump in the price, for example, came after Mexico's state-owned oil firm announced that it would close down some offshore fields because of bad weather—even though the lost output amounted to less than 1% of global production. Fears of a much graver disruption of supplies, due to brewing political tensions in the Middle East, have also helped to push up the price.

In theory, new supplies should soon be coming onstream. The Organisation of the Petroleum Exporting Countries (OPEC) has agreed to raise its output slightly this month. But it also dismisses oil traders' anxieties about shortages, insisting that current supplies are adequate. Non-OPEC suppliers, meanwhile, have plans to tap several new fields in the coming months. But on the whole, they are struggling to increase their output, owing to shortages of engineers and equipment, and to the concomitant rise in development costs. Both BP and Shell, for example, reported recently that they produced less oil in the third quarter of this year than they did in the same period last year.

A price this high should also temper demand for oil. Motorists' thirst for fuel does indeed seem to be faltering in rich countries. But as Francisco Blanch of Merrill Lynch notes, most of the incremental demand for oil comes from China, India and the Middle East, where the prices of petrol and diesel are subsidised or capped, leaving drivers with little incentive to cut back. Until the governments concerned start making consumers pay the market price, appetite for oil is likely to remain strong. There are signs of this: on October 31st the Chinese government raised the price of fuel for the first time this year.

The likeliest scenario is that a gradual increase in supply and a slight mellowing of demand will eventually bring some relief. Goldman Sachs, for one, is predicting a price of $80 a barrel by April next year. But between now and then, its analysts warn, that spike may yet get sharper.

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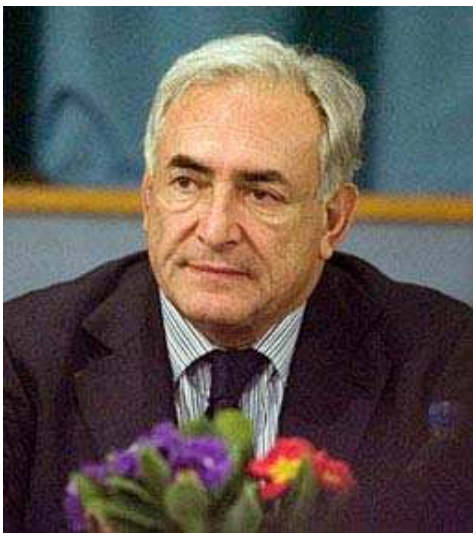
The IMF

Kahn do

Nov 1st 2007
From The Economist print edition

Dominique Strauss-Kahn takes over at the IMF

Get article background



AT MOST job interviews, questioning the worth of the prospective employer is risky. But when Dominique Strauss-Kahn applied for the top post at the IMF, he told the board that the fund's biggest challenges were relevance and legitimacy. And at an institution struggling to define its identity, the self-proclaimed “candidate of reform” found a receptive audience.

In truth, Mr Strauss-Kahn, who took over as the IMF's managing director on November 1st, was the only serious candidate for the post. By convention, the IMF's chief is European, just as the head of the World Bank is American. Mr Strauss-Kahn, a former French finance minister, was the European Union's choice.

The new boss's first task is to shore up the IMF's authority outside the rich world. Aware that a sponsored candidacy could weaken his own legitimacy, Mr Strauss-Kahn campaigned for the post as if he were not a shoo-in. He travelled 60,000 miles (100,000km) over the summer to lobby in low- and middle-income countries, many of them resentful that their economic clout is not matched by a say on IMF policy.

To address such grumbles, the fund had already started to renegotiate the quotas that set the contributions, credit lines and board votes of its member states. Rodrigo de Rato, Mr Strauss-Kahn's predecessor, made a start last year by granting a handful of countries, including China and Mexico, extra votes. Work to find a new formula that allocates quotas more fairly should be completed by next April and adopted a year from now. Mr Strauss-Kahn has also suggested that for big decisions, requiring a “double majority” of votes and members would bolster the fund's authority among poorer countries.

A bigger test for Mr Strauss-Kahn is to find a meaningful role for the fund. A decade ago, as it waded in to bail out emerging economies abandoned by private-sector investors, its relevance was obvious. Since then, many countries have insured themselves against future crises by hoarding vast foreign-exchange reserves. As a result, the fund's lending, its main source of income, has dried up, squeezing its budget.

With its job as a financial firefighter redundant, at least for now, the IMF is talking up its role as financial policeman. But the new emphasis on “multilateral surveillance”—monitoring how each member's policies affect the global financial system—is already causing friction. An updated surveillance framework, adopted in June, gives the fund leeway to inspect and censure exchange-rate policies but is regarded in Beijing as an American-led wheeze to bash China's currency regime. The IMF's official report on China (including a judgment on the yuan) is a potential flashpoint.

China is not alone in thinking that the fund is a biased umpire. At the IMF's annual meeting last month, the Group of 24 developing nations called for the spotlight to be turned back onto the rich world, arguing that regulatory failings there are behind the current bout of instability.

Similar passions have been stirred by a call from Hank Paulson, America's treasury secretary, for the IMF to take a role in policing sovereign-wealth funds, many of them from emerging markets. That would give the fund a meaty new role but again risk alienating its members outside the rich world. The IMF has indicated that it will seek to arrange a voluntary code of practice for sovereign funds. The goals of legitimacy and relevance may be less compatible than Mr Strauss-Kahn hopes.

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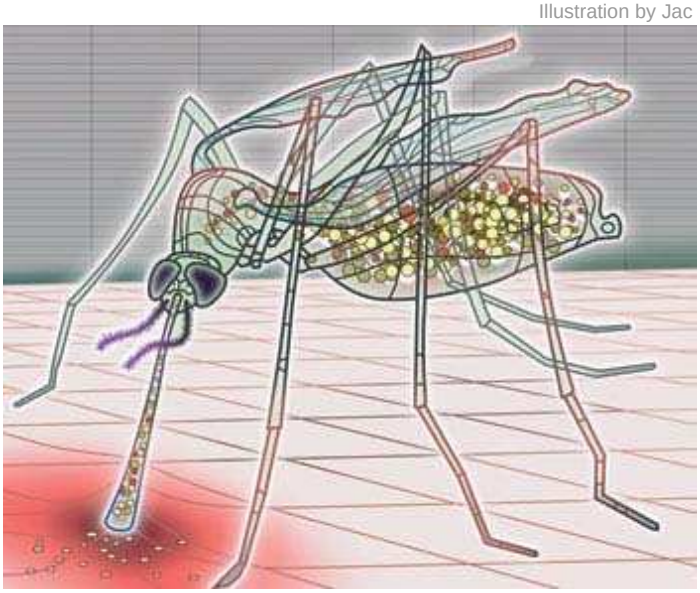
Economics focus

Money v mosquito

Nov 1st 2007
From The Economist print edition

Illustration by Jac



Will an ambitious plan to subsidise anti-malarial pills work?

FOR centuries, the Chinese have prized African rhinoceros horn as a remedy for impotence. Africans are now just as keen on an Asian medicine: artemisinin, a highly effective malaria remedy derived from a Chinese shrub. As resistance to chloroquine, the chief anti-malarial drug of the past few decades, has grown, many began to despair. The arrival of artemisinin a few years ago raised hopes, but big obstacles to its widespread use remain. Cost is the biggest of all. A course costs between $5 and $8, against a mere 20-40 cents for chloroquine—a huge difference in a continent where many earn less than $2 a day. What's more, public health experts say that the artemisinin-only pills on the market will inevitably engender drug resistance over time. They advocate the use of artemisinin combination therapies (ACTs), which mix the active ingredient with another drug to stave off resistance. ACTs are pricier still, at between $6 and $10.

A group of donors and international agencies, including the Gates Foundation and the World Bank, is now promoting a plan (which is yet to be funded) for subsidising ACTs. The Affordable Medicines Facility-malaria (AMFm), as the scheme is called, aims to subsidise the purchase of ACTs to the tune of $1.4 billion-1.9 billion over five years. The plan's boosters believe that would make prices competitive with chloroquine. They also think that artemisinin-only drugs—which would not receive the subsidy—would then be priced out of the market. The board of Roll Back Malaria, a group that co-ordinates international efforts against the disease, is due to vote on the matter this month.

Casual observers may think that most Africans get their medicines cheaply through government health clinics. In fact, because such clinics are often too far away or unmanned, up to three-quarters of the residents of sub-Saharan countries end up buying malaria medication from private suppliers. The key to the AMFm approach is the flooding of the private market with cheap ACTs. Authorised drug-wholesalers in poor countries would order ACTs from manufacturers at the prevailing price, but nearly all of that cost would be paid directly by the new fund. Wholesalers would then sell the drug through their usual distribution channels, passing the subsidy along too. If all went to plan, the retail prices of ACTs would collapse.

Kenneth Arrow, a Nobel-prizewinning economist at Stanford University whose team first advocated this subsidy approach, believes the AMFm would accomplish the twin goals of “saving lives and buying time” (against ACT resistance). Ramanan Laxminarayan of Resources for the Future, an American think-tank, has analysed the potential impact of the AMFm plan. Without a subsidy, he calculates, only 1% of the target population will be able to afford ACTs. That proportion rises to 15% with a partial subsidy and

44% with the full proposed subsidy.

Not everyone is convinced. In principle, a lack of competition somewhere in the chain from manufacturing to retailing could keep consumer prices up: the subsidy would in effect go from the fund into somebody's profits. For example, one worry is that only a few firms now make ACTs. A dramatic expansion of the market should lead to greater economies of scale and much lower costs, but competition among a small group of manufacturers may be weak, so prices may stay firm. Another possibility is that wholesalers exploit their market power—fewer than 200 big purchasers control 80% of the drugs volume in sub-Saharan Africa—buying cheaply but not passing lower prices on. Or retailers, especially if there are few suppliers in remote areas, may keep prices up. Amir Attaran of the University of Ottawa points to a new report by Canada's Competition Bureau showing that rebates (read: subsidies) given by drugs firms to wholesalers have not been passed on to consumers there. In Africa, where competition is weaker, the subsidy would surely be abused.

These concerns may be overdone. Mr Laxminarayan thinks that competition from upstarts in India and China should keep manufacturers' prices down. As for wholesalers, Prashant Yadav of the MIT-Zaragoza International Logistics Programme thinks that their market power can be overcome: if the fund gave them rebates for selling larger quantities, they should have an incentive to go for greater volume at a lower price. Profit-hungry retailers can be held in check both by powerful wholesalers and by the limited budgets of poor customers. As with wholesalers, though, the market might need some help: clearly marked recommended retail prices could help to prevent price-gouging.

Popping pill prices

Counterfeit pills are another concern. Sir Richard Feachem, of the University of California, says that this “massive problem” will get worse unless any subsidy plan guards explicitly against it. In his previous job as boss of the Global Fund to Fight AIDS, Tuberculosis and Malaria, the body that is likely to run AMFm, Sir Richard was a vocal critic of the subsidy plan. He now argues that AMFm could be successful if accompanied by education of consumers about the value of, and correct price for, ACTs and by a training and accreditation scheme for treatment centres.

Tentative evidence from the field supports him. Bill Clinton's charitable foundation is running a pilot project in Tanzania studying the AMFm idea, incorporating precisely such “social marketing” policies for educating consumers. Investigators say the early signs are positive. And a study published recently in the *British Medical Journal* looked at the impact of making extra payments to health-care workers treating malaria in under-fives in Guinea Bissau if they followed procedures to the letter. The subsidised group saw deaths fall by half versus the control group.

Great uncertainties remain. Even Mr Arrow accepts that “we won't know how it will turn out until we put it into practice.” But for the opportunity to beat back malaria, it just might be worth taking a chance and fine-tuning AMFm.

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Public health

To avoid the Big C, stay small

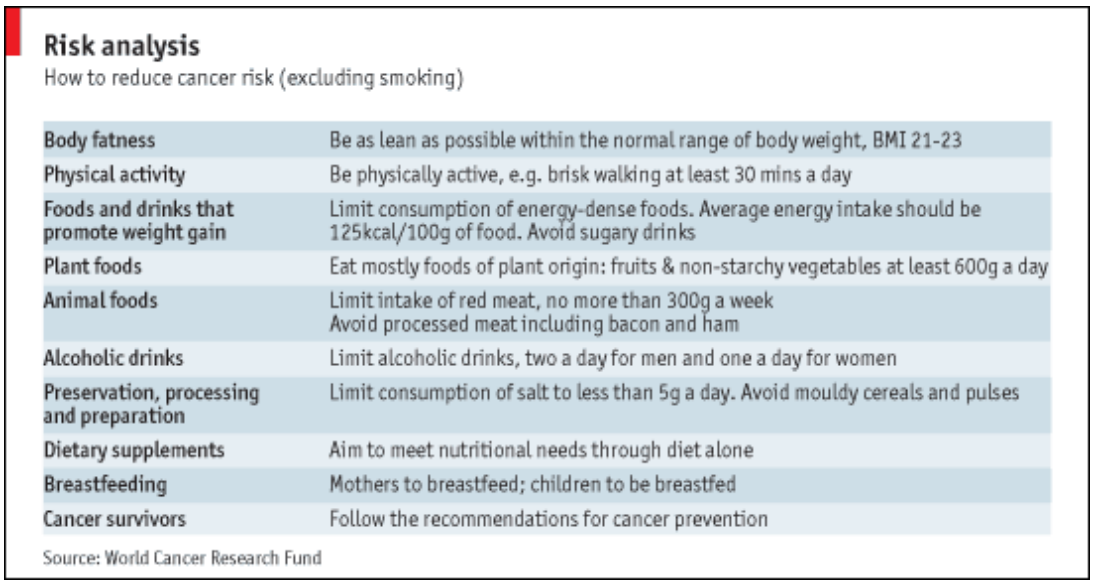
Nov 1st 2007
From The Economist print edition

Illustration by Stephen Jeffrey

The best ways to prevent cancer look remarkably like those needed to prevent obesity and heart disease as well

EVERY day there are new stories in the tabloids about the latest link, sometimes tenuous, sometimes contradictory, between cancer and some aspect of lifestyle. If this is a recipe for confusion, then the antidote is probably a weighty new tome from the World Cancer Research Fund (WCRF). It is the most rigorous study so far on the links between food, physical activity and cancer—and sets out the important sources of risk.

Individually (except for smoking) these risks are quite small. However, many a mickle makes a muckle, and in total they add up to something significant. Roughly speaking, smoking is responsible for a third of cancers (smoking 20 cigarettes a day increases your risk of lung cancer 20-fold), poor food and lack of exercise result in another third, and other causes account for the rest. Some of this last third are known: genetic predisposition, ultraviolet sunlight, pollutants such as pesticides, and other factors including cosmic radiation and a naturally occurring radioactive gas called radon. But the picture is undoubtedly incomplete.



Risk analysis

How to reduce cancer risk (excluding smoking)

Body fatness	Be as lean as possible within the normal range of body weight, BMI 21-23
Physical activity	Be physically active, e.g. brisk walking at least 30 mins a day
Foods and drinks that promote weight gain	Limit consumption of energy-dense foods. Average energy intake should be 125kcal/100g of food. Avoid sugary drinks
Plant foods	Eat mostly foods of plant origin: fruits & non-starchy vegetables at least 600g a day
Animal foods	Limit intake of red meat, no more than 300g a week Avoid processed meat including bacon and ham
Alcoholic drinks	Limit alcoholic drinks, two a day for men and one a day for women
Preservation, processing and preparation	Limit consumption of salt to less than 5g a day. Avoid mouldy cereals and pulses
Dietary supplements	Aim to meet nutritional needs through diet alone
Breastfeeding	Mothers to breastfeed; children to be breastfed
Cancer survivors	Follow the recommendations for cancer prevention

Source: World Cancer Research Fund

The research has taken six years, involved nine research institutes, and examined more than half a million publications—which were whittled down to 7,000 relevant ones. From these, the new guidelines spring. Few come as news (see table), but the most surprising is the degree to which even being a bit overweight is a risk. One of the most important things a person can do to avoid cancer is to maintain a body mass index (BMI) of between 21 and 23. According to the WCRF's medical and scientific adviser, Martin Wiseman, each five BMI points above this range doubles the risk of post-menopausal breast cancer and colorectal cancer.

For those unfamiliar with BMI, it is calculated by dividing a person's weight in kilograms by the square of his height in metres. Until now, a healthy BMI has been thought of as being between 18.5 and 24.9. The report implies that this range should be narrowed. It is not enough to avoid being clinically obese, or even just a bit overweight. To minimise your risk of cancer, you have to avoid getting fat at all.

Indeed, paying attention to what you eat and drink seems to be the report's watchword. The list is depressingly familiar from injunctions relating to what is coming to be known as metabolic syndrome (obesity, late-onset diabetes, high blood pressure, heart disease and kidney failure, which are starting to look like symptoms of a single, underlying problem). Why cancer and metabolic syndrome might be connected is not yet clear. Cancer is caused by mutational damage to genes that otherwise hold a cell's reproductive cycle in check, and thus stop that cell proliferating. Metabolic syndrome, as its name suggests, seems to be related to the way cells process fats and sugars. There may be no direct link. But it may be that metabolic syndrome involves the production of growth-stimulating molecules that help cancers along.

On the matter of the miscellaneous final third, Devra Davis, an epidemiologist at the University of Pittsburgh and the author of a new book* on cancer, argues that more attention needs to be paid to pollutants and chemical hazards. Few Americans, she says, are aware that the roofs of 35m homes may be insulated with material containing asbestos (which is linked to a cancer called mesothelioma). She observes that a forthcoming report from America's Government Accountability Office will criticise the government for its lack of public warnings about such risks.

There is also concern in America about the overuse of medical X-rays, especially in emergency rooms. Not many people, for example, are aware that computerised tomography (CT) scanning uses large doses of X-rays. A scan of a baby's head is equivalent to between 200 and 600 chest X-rays. However, Dr Wiseman says these risks account for a trivial number of cancers and guesses the remainder are also something to do with nutrition.

Risky business

With hazards everywhere, plus the complications of genetic predisposition and age, it is hard for someone to work out his actual risk of developing either cancer or metabolic syndrome. If that is a recipe for inaction—as it often is—there may be a solution in the form of a personalised health check-up called the PreventionCompass.

This system has been developed by the Institute for Prevention and Early Diagnostics (NIPED), a firm

based in Amsterdam. It requires the customer to answer a detailed questionnaire about his way of life and to undergo a series of tests. It draws its conclusions by running the results through a “knowledge system”—a database that pools expertise from many sources.

Coenraad van Kalken, NIPED's founder, says his scientists have programmed in risk factors for cancer, cardiovascular disease, diabetes, kidney disease, lung disease, “burn-out”, depression and other psychological disturbances. The system can, for example, use family history and elevated levels of a particular protein in the blood to work out who should undergo a biopsy to look for prostate cancer. And because it looks at lifestyle as well as biochemistry, it could similarly suggest lower alcohol consumption and a colonoscopy to someone at risk of colorectal cancer.

In the case of this disease, and also breast cancer, such early diagnosis prevents a serious and incurable condition. Bob Pinedo, the director of the Free University medical centre in Amsterdam, told a symposium held by the European School of Oncology in Rome on October 26th that it costs €250,000 ($360,000) to treat (not cure) a patient with late-stage colorectal cancer for 20 months. In the Netherlands, that would pay for 1,000 colonoscopies.

Given the rising costs of dealing with cancer alone—in America this is more than $100 billion a year—prevention and early detection look set to take off. In trials of the PreventionCompass that NIPED conducted last year, more than 75% of the staff of four Dutch companies volunteered to join the scheme. Moreover, occupational-health officers in these companies claim that more than half their staff actually made changes to their way of life as a result. Not bad for a system that costs about €100 a year for each employee.

This year two large insurance companies, which provide corporate health-care, income and disability insurance to employees, are offering to lower the premiums of customers who sign up to the PreventionCompass. Next year, the plan is to extend the scheme more widely, by recruiting Dutch GPs to offer it to people from lower-income groups who do not have such private health insurance.

The message, then, is prevention, not cure. And it is a message that needs to be heeded across the world as poor countries grow wealthier and adopt the eating habits and sedentary lives of the rich. It is an irony that evolution has shaped people to enjoy fat, sugar and indolence—things in short supply to man's hunter-gatherer ancestors, and desirable in the quantities then available. Wealth allows them to be indulged in abundance. Unfortunately, human bodies have evolved neither to cope nor, easily, to resist.

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* “The Secret History of the War on Cancer”. Basic Books, New York.

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Electric cars

Wingless migration

Nov 1st 2007 | SAN FRANCISCO
From The Economist print edition

Is the market now ready for small electric vehicles?

APTERA is certainly not the sort of name an old-school carmaker would give to its newest creation. Biologists will recognise it as the term for scuttling wingless insects—silverfish and suchlike. But Steve Fambro, the boss of the eponymous Californian company that plans to make and sell electric vehicles under this name, hopes they will soon be swarming over the state's highways.

Unlike Tesla, another boutique electric-vehicle maker from the Golden State, Aptera is aiming for the bottom end of the market. A Tesla sports car will set you back $98,000 (or it would if you could get your hands on one: Tesla has delayed shipment of its first 50 cars until next year). An Aptera, by contrast, starts at $26,900, and should be available this time next year. And instead of a Ferrari knock-off, you get a space-age tricycle. But Aptera and Tesla have things in common. They are both small (Aptera has 16 full-time employees, though that will grow; Tesla has 250). They were both started by people with no experience in the motor industry. And they are both aiming to start by roping in the eco-fashionistas of California, and then work outwards to the mainstream.

The name Aptera was chosen because the vehicle resembles a small, wingless aircraft. Its three-wheel design exempts it from onerous federal testing regulations. The outer shell is made of a carbon-fibre composite, rather than metal (though within this is a passenger-safety cell modelled on those used in Formula 1 racing cars and constructed from aluminium and steel trusses). The lines are wind-tunnel aerodynamic. And protuberances are kept to a minimum. Wing mirrors, for example, are replaced by a rear-facing camera with a 180° field of view and the exhaust valves are recessed to minimise turbulence. In the pure plug-in version, those valves are for waste heat from the electronics. There is also a petrol-electric hybrid, with a single-cylinder generator that extends the range from 200km (120 miles) to 1,130km. Top speed is 150kph.

One reason for the emergence of firms such as Aptera is that designing a new vehicle has become as much an exercise in software simulation as in metal (or even carbon-fibre) bashing. That enables the firm's engineers to do extensive development work—even things like crash-testing—on a computer. This is much cheaper than building endless prototypes and driving lots of them into walls. Another reason is the widespread availability of previously specialised components such as lithium-ion batteries. That means that an upstart such as Aptera can focus on the electronic brains of the vehicle and its final assembly, rather than having to make everything from scratch. It can thus, it believes, turn a profit without having to produce large volumes.

Automotive history is littered with failed attempts to build electric cars, and sceptics might think the latest batch will be no different. That there is a fashion for such vehicles, though, is hard to deny. Besides Aptera and Tesla—which are, in their different ways, the most conspicuous examples—Venture Vehicles of Los Angeles is proposing an electric version of the Dutch Carver three-wheeled motorbike, while Phoenix Motorcars of Ontario, California, has produced a sports-utility truck. Meanwhile, REVA, an Indian firm, and Think Global, a Norwegian one, are making two-door hatchbacks. Indeed, according to the *Venture Capital Journal*, about $220m has been invested in such small firms over the past year and a half.

Moreover, one of the perennial bugbears of electric vehicles—that there is no on-the-road infrastructure for recharging them—may soon be addressed. On October 29th Shai Agassi, a Silicon Valley technologist and entrepreneur, said he had raised $200m to build a network of stations at which electric vehicles can rapidly be recharged.

That would make a big difference. Other ambitious propulsion technologies, such as fuel cells, have got bogged down by questions about the infrastructure needed for fuel distribution. If Mr Agassi, or someone like him, has his way it seems possible that despite its name Aptera might actually fly.

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Robot cars

A challenge, eh?

Nov 1st 2007 | MOUNTAIN VIEW, CALIFORNIA
From The Economist print edition

The competition to make a working robot vehicle has moved from the desert to the mean city streets

ONLY three years ago the world's most advanced robotic cars struggled to make their way around even basic obstacles such as large rocks and potholes in the road. Despite millions of dollars' worth of high-tech equipment, the vehicles managed to mimic little of what a human can do behind the wheel. Now, however, they can squeeze into parking places, flip on their indicators before making turns and even display the flair of a London taxi driver when merging into traffic.

This improvement in “autonomous vehicle technology”, as the jargon has it, is partly a result of prodding by America's defence department, which hopes a third of its ground vehicles will be robotic by 2015. To that end its research arm, the Defence Advanced Research Projects Agency (DARPA), has scaled back the traditional process of handing out large research grants and getting nothing useful in return. Instead, it has been running a series of *grand prix* for such vehicles. The *prix* in the latest, due to take place on November 3rd, is $3.5m—of which $2m will go to the vehicle best able to negotiate its way round Victorville, a former air force base in southern California, with $1m and $500,000 to those in second and third places.

The first of DARPA's Grand Challenges, in 2004, was a flop. The prize on offer then was $1m—winner takes all. The challenge was to follow a course 229km (142 miles) long across a desert using only the satellite-based global positioning system as a guide. That year, no one claimed the prize.

In 2005, the robots did much better. *Stanley*, Stanford University's modified Volkswagen Touareg, won the money; four other vehicles also finished the course. So this time, having allowed the teams an extra intervening year to tinker with their machines, DARPA has made the Challenge more challenging. Not only must entrants keep to the tarmac and obey the rules of the road, they must also avoid colliding with a number of other cars being steered round the base by stunt drivers.

The desert vehicles relied on radar, laser range-finders and speedy, cleverly programmed computers to avoid meddlesome objects while racing from point to point. The urban robots will use similar technology to accomplish much more difficult tasks. In effect, they will be taking the examination to receive a driving licence by demonstrating the ability to park in narrow spaces, slow down and indicate appropriately at junctions, and so on—as well, of course, as avoiding collisions.

Thirty-five teams are spending the week leading up to the event competing for 20 spots in the race. The favourites are Stanford and Carnegie Mellon University (whose car came second in 2005). As in a more conventional motor race, the logos of their sponsors—companies such as Google, Intel and Red Bull—cover almost every centimetre of their vehicles, reflecting millions of dollars in investments.

However, this is not a game that only the well-heeled can play. Indeed, the Stanford and Carnegie Mellon teams were small operations three years ago; as is usually the way, sponsorship followed success. Other academic entrants, such as the University of Louisiana at Lafayette, remain closer to the amateur spirit. And there are also ad hoc groups of enthusiasts such as Austin Robot Technology, which is composed of a mixture of workers at IBM, AMD and Sun Microsystems, and members of the University of Texas. There are even some corporate entries. The Oshkosh Truck Corporation, for instance, has modified some of its off-road military vehicles for the competition (with the aid, as it happens, of an additional $1m grant from DARPA).

Whether any of the entrants will stay the course and win a virtual driving licence remains to be seen. But if they do not do so this time, no doubt they will next, or maybe the time after that. The established mixture of competitiveness and amateur fair play will surely continue (teams routinely patch up each other's wrecks after a crash). And that seems to produce for DARPA what many millions spent on more run-of-the-mill research projects has failed to generate.

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Drugs and sport

How to cheat without cheating

Nov 1st 2007
From The Economist print edition

Athletes and the placebo effect

THE murky world of doping in sport may be about to get murkier still. Having spent decades trying to detect the use of performance-enhancing drugs, officials may soon be confronted with the paradoxical problem of detecting their non-use.

The reason for this paradox is the placebo effect: believing a treatment to be effective is sometimes enough to make it so. It is what lies at the heart of otherwise scientifically unproven fields such as homeopathy—and also, it must be said, at the heart of a lot of mainstream medicine. An analysis published a few years ago suggested that perhaps a third of medically approved drugs might be acting as placebos. And that thought led Fabrizio Benedetti and his colleagues at the University of Turin to wonder if the placebo effect might be important in sport, too. The answer is that it might.

Every year the World Anti-Doping Agency publishes a list of prohibited substances and methods, divided into those prohibited at all times and those outlawed only during competitions. Dr Benedetti observed that morphine falls into the second category. Since it is a painkiller, denying it to athletes in training would be unethical. It is forbidden during competitions because its painkilling properties would give users an unfair advantage, but the effect is short-lived—unlike, say, that of anabolic steroids that build up muscles.

Killing pain, however, is one of the things that the placebo effect is best at. In 1999 Dr Benedetti himself showed that someone who is injected with morphine for two days in a row experiences a powerful analgesic response not only on those days but also on the next, if the morphine is replaced by a placebo without his knowledge. That led Dr Benedetti to wonder if the effect of legally administered pre-competition morphine might, perfectly legally, be carried over into a competition by giving a placebo.

In their new experiment, published this week in the *Journal of Neuroscience*, he and his colleagues simulated a sporting competition by pitting four teams of ten athletic young men against each other in a pain-endurance test. With a tourniquet strapped around one forearm, these men had to squeeze a hand-spring exerciser repeatedly until pain forced them to stop. Their scores, measured by the time they managed to keep going, were averaged over the whole team.

One of the teams received a morphine injection just before training sessions held two weeks and one week before the contest, and an injection of saline solution on the big day, along with the suggestion that it was morphine. Another received the same regime, but the saline was combined with naloxone, an opiate-blocking drug. The remaining teams received either no treatment at all, or the placebo on competition day alone.

Members of the team that received morphine followed by a placebo were able to endure significantly more pain during the competition than any of their rivals. In particular, those injected with naloxone did no better than the other two control groups. This finding supports the theory that placebos reduce pain by encouraging the brain to produce more natural opiates than usual.

Although hand-spring squeezing is not yet an Olympic sport, it is a good enough surrogate to suggest that these effects might be shown in real competitions, too. So the question is, how useful would Dr Benedetti's observations be, should they be taken up by an unscrupulous but legalistic coach?

That depends how cynical athletes really are. The placebo effect depends on what the recipient believes is happening, so he would have to think he was cheating, even though, strictly, he wasn't. Also, if the practice became widespread, it would be hard to maintain the fiction that the injection on competition day contained the drug. On the other hand, as Dr Benedetti observes, doctors have been getting away with giving placebos for millennia, and their patients still fall for it. Perhaps if it were sold to athletes as a form of homeopathy, they would not ask too many awkward questions.

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Bird migration

Blue light special

Nov 1st 2007
From The Economist print edition

Part of the avian compass needle has been identified

THE changing of the seasons sees millions of birds migrating over thousands of kilometres. How they find their way is a question that has perplexed biologists for decades. It is known that birds have built-in compasses attuned to the Earth's magnetic field. But how those compasses work and what they are made of have remained mysteries.

Part of the answer, however, seems to have emerged this week. As they report in the *Public Library of Science*, Henrik Mouritsen of the University of Oldenburg, in Germany, and his colleagues, think that proteins called cryptochromes are involved. These proteins are found in the eye, and they seem to tell a bird how its head is aligned with respect to the Earth's field, and thus which way to set off.

Cryptochromes are light-sensitive molecules. Dr Mouritsen focused on them because they are particularly sensitive to blue light. It has been shown experimentally that birds can align themselves to their normal migration routes in blue light but have trouble doing so in yellow or red, so the link seemed worth pursuing.

When hit by a blue photon, a cryptochrome molecule loses an electron. In theory, that electron could end up attached to a nearby flavin molecule, creating an unstable arrangement called a radical pair. This instability would be rectified by an electronic shift in the opposite direction, but the rate at which the shift took place would be affected by any magnetic field around. In principle, therefore, this rate of recovery could reveal information about the alignment of the Earth's magnetic field.

For that to happen, a bird would have to pan its head before it took off, just as a person might move his head to locate the direction of a sound. And, as Dr Mouritsen found in 2004, that is what migrating birds do. What he did not know was whether avian cryptochrome molecules actually do form radical pairs with flavins, and if they do, whether those pairs last long enough for a bird to gather useful information when it pans its head.

To find out, he extracted cryptochrome from the eyes of some unfortunate garden warblers at a time when they would normally have been migrating. The molecules did, indeed, form radical pairs with flavin on exposure to light. What was more, those pairs last 1,000 times longer than the minimum needed for the birds to calibrate the signal from them against the Earth's field. That does not, of course, prove that cryptochrome is part of the compass mechanism, but it is pretty suggestive.

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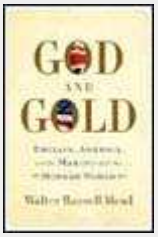
Britain and America

Hail to the chiefs

Nov 1st 2007
From The Economist print edition

An entertaining book on why the much-loathed Anglo-Saxons have kept on winning—and messing up

God and Gold: Britain, America and the Making of the Modern World
By Walter Russell Mead



Knopf; 464 pages; $27.95.
Atlantic Books; £25

Buy it at
Amazon.com
Amazon.co.uk

Illustration by Daniel Pudles

CLEVER, malevolent and with spare time on his hands, Osama bin Laden is supposed to read a lot. If the CIA wants to demoralise and to distract him, it might make sure he gets a copy of Walter Russell Mead's new book.

Mr Mead, a polymath scholar at the Council on Foreign Relations in New York, has never been shy of big-picture subjects. This time it is “the biggest geopolitical story of modern times: the birth, rise, triumph, defence and continuing growth of Anglo-American power despite continuing and always renewed opposition and conflict.” Ever since the Glorious Revolution in 1688, Britain and America have been on the winning side, from the war of the Spanish succession to the cold war.

The anglosphere's long streak of luck has preoccupied the losers more than the winners. Winston Churchill excepted, most Britons don't like being tied to modern America; Americans can't see what

ancient Britain has to do with them. Yet for outsiders the link between the English-speaking peoples was horribly clear from the start: only a few years after the American revolution the French were sending back horrified reports that New England really was new England in spirit.

Outsiders also have plenty of explanations for the anglosphere's success. Some of them are unworthy (with anti-Semitism a constant theme) but most centre on the idea that the winners relied on perfidy and violence abroad and cruelty and inequality at home. In the old East Germany, officials had a list of terms to describe Britons: “paralytic sycophants, effete betrayers of humanity, carrion-eating servile imitators, arch-cowards and collaborators.” A Muslim journalist observes: “We worship God by loathing America.”

Mr Mead's own explanation focuses on God and gold. Britain was lucky: economically, it came good at just the right time. It had a Goldilocks location (close enough to Europe to imbibe its heat, distant enough to avoid many of its wars) and a Goldilocks state (strong enough to work, weak enough to keep out of the way). But its tolerance and brashness were also part of its economic strength: Donald Trump would have fitted into London.

More controversially, Mr Mead also claims that God was part of the anglosphere's competitive advantage. Both Britain and America kept a balance between reason, faith and tradition that their rivals did not. Religion helped to keep the state in check and supplied some of the verve to keep on trying to change the world.

Occasionally Mr Mead tries too hard: he comes up with one complicated analogy to do with a gyroscope and a pyramid, and, as he admits, he skates over some issues in the name of brevity. But he makes up for this by entertainment: it is hard to think of another front-line foreign-affairs writer who would connect Occam's razor to Hollywood, and link Abraham to McDonald's. Or, indeed, spot the agenda of an international conference in the Walrus poem in Lewis Carroll's “Through the Looking-Glass”: the walrus's list of conversational subjects begins with trade in manufactured goods (shoes), goes on to services (sealing wax was used on legal documents) before touching on farm products (cabbages), political reform (kings), global warming (the “boiling hot” sea) and finally genetic modification (winged pigs).

Another advantage of Mr Mead is that he eschews jingoism. Evelyn Waugh once observed that you could write monstrous things about a man so long as you implied he was sexually successful. Having declared Britain and America to be the winners in power politics, Mr Mead has the same licence to put the boot in.

And he does: greedy, hypocritical, vulgar (no Europeans, he points out, came on grand tours of England to buy *objets d'art*), monstrously cruel, appallingly corrupt (“I am surprised by your insolence in troubling me,” an MP writes to his constituents. “You know what I very well know, that I bought you”). French readers and Mr bin Laden will not be entirely miserable.

Mr Mead also pinpoints an irony of Anglo-Saxon success. After each victory, the Anglo-Saxons have a rotten record of predicting what will come next, nearly always declaring some version of a new world order, only for a new evil to emerge. Often they seem blissfully unaware of the ire their success has caused. That could be the case with Islam now. Western power is based on a religion that Muslims don't believe in and a system of maritime might that has caused them great pain. The story once again seems set to end unhappily.

God and Gold: Britain, America and the Making of the Modern World.
By Walter Russell Mead.
Knopf; 464 pages; $27.95. Atlantic Books; £25

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Foreign policy

Blowing cool, blowing hot

Nov 1st 2007
From The Economist print edition

OPINION polls in the United States show that most people believe the invasion of Iraq to have been a mistake, an ill-conceived idea poorly executed. So far, however, they have been relatively patient, a stoicism that may not last into the election year. Foreign policy and the loss of America's prestige abroad will almost certainly animate the presidential campaign. Already, how to handle Iran has become a litmus test, with some candidates bidding to outhawk the administration.

Here are two books—one an elegant discourse, the other a fire-and-brimstone polemic—at polar ends of a foreign-policy debate that permeates think-tanks in Washington, DC, and hustings in middle America. Philip Gordon, a senior fellow at the Brookings Institution, is an adviser to Barack Obama, one of the leading candidates for the Democratic nomination. Norman Podhoretz, an unrepentant neoconservative (perhaps one of the few still standing), counsels the Republican frontrunner, Rudolph Giuliani.

In his five long chapters Mr Gordon makes a case for reinvigorating the toolbox employed in the cold war for the fight against terrorism. Containment, dedicated diplomacy designed to win friends and allies, investment in promoting Western moral authority and a smart defence strategy worked then, and can work again, he argues. If this approach is followed, he suggests, Islamist extremism, like communism before it, will collapse not because it was defeated militarily but because it will fail to inspire large numbers of people.

Mercifully Mr Gordon does not parade himself as one of the new breed of Islamist experts. He advocates opening talks with Iran on “any issue”, a point that got his client, Mr Obama, into some difficulties recently. If America talked to the Soviet Union during the cold war, he argues, why not with Iran now? In short, dual-track containment and engagement is the best way forward in Iran, with particular emphasis on cultivating the internal opposition to Mahmoud Ahmadinejad.

Mr Gordon notes that the conflict in Iraq has been transformed into a civil war beyond America's capacity to stop. For that reason he views the current surge with scepticism. He recalls that “in the late 1950s and early 1960s France deployed more than 400,000 troops to Algeria, whose population of around 10m was less than half of Iraq's today.” Despite the manpower and the ruthless repression, the French had to retreat. Yet, even with that precedent, he does not advocate a rush to the exits. In time, he argues, a clear date should be set for the end of the American presence, co-ordinated with a panoply of Iraqi leaders.

Mr Podhoretz's “World War IV” title is provocative (if you are wondering, the cold war was the third). The next war in his mind is not only the war on terror but also the one against “Islamofascism”. He defends all aspects of the Iraq war. It was, he says, the logical outcome of the aggression of September 11th 2001.Where many see blunders—the belief, for instance, that Saddam Hussein held weapons of mass destruction—Mr Podhoretz sees no problem.

Where many see an irrevocably weakened American president, the author sees George Bush as a Harry Truman, a leader who will be granted belated recognition. And everywhere in the American liberal establishment—the media, the Democrats—he detects weak-kneed defeatists. He is especially upset by the defectors from the ranks of the right, such as George Will and Francis Fukuyama, who have contributed to the general disillusionment with Mr Bush.

Winning the Right War: The Path to Security for America and the World
By Philip H. Gordon

Times Book; 203 pages; $24

Buy it at
Amazon.com
Amazon.co.uk

World War IV: The Long Struggle Against Islamofascism
By Norman Podhoretz

Doubleday; 230 pages; $24.95

Buy it at
Amazon.com
Amazon.co.uk

Mr Podhoretz is one of the few people who publicly as well as privately favour bombing Iran, and as soon as possible. In short, rather than demand any change to the foreign policy of the past seven years, Mr Podhoretz commends more of the same, but with more resolve.

Winning the Right War: The Path to Security for America and the World.
By Philip H. Gordon
Times Book; 203 pages; $24

World War IV: The Long Struggle Against Islamofascism
Doubleday; 230 pages; $24.95

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Jihadism

The brains behind the bombs

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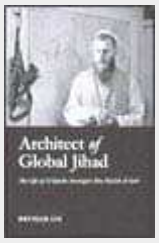
From The Economist print edition

IF THE internet is *jihad*'s open university, used for spreading ideological and military knowledge, then one of its most formidable professors is Mustafa bin Abd al-Qadir Setmariam Nasar, better known by his *nom de guerre*, Abu Musab al-Suri. The Syrian-born militant was arrested in Pakistan in October 2005 and is now believed to be detained by the United States in an unknown location. Yet his lectures remain available as audio files in cyberspace.

Architect of Global Jihad: The Life of Al Qaeda Strategist Abu Mus'ab al-Suri
By Brynjar Lia



Columbia University Press; 256 pages; $28.95. Hurst; £27.50

Buy it at
Amazon.com
Amazon.co.uk

Ginger-haired and married to a Spaniard, Mr al-Suri went by several aliases, including El Español and El Rubio (the blond one). He was little known outside Islamist circles until the Madrid train bombings in March 2004 when Spanish investigators named him as a possible ideological influence, if not the actual mastermind. Eight months later America placed a $5m bounty on his head and Mr al-Suri sensed the net closing around him. So he took precautions: hacking into commercial websites in America, he placed on the internet many of the books, lectures and letters that he had been circulating privately.

EPA

The blond professor

"I wish by God that America will regret bitterly that she provoked me and others to combat her with pen and sword," he declared. His pen turned out to have been prolific, including brutally frank assessments of the violent uprisings in Syria in the 1980s and Algeria in the 1990s, and a host of training manuals. His life's work is a 1,600-page opus, "The Global Islamic Resistance Call", which started to take form in the early 1990s. In it, Mr al-Suri argues that *jihadis* should avoid creating hierarchical structures, which are vulnerable to attack by local or American security forces, and move instead to a decentralised system of individuals or small local cells linked only by ideology.

To judge from the succession of actual and foiled plots in Europe, international jihadism has indeed evolved this way. It is unclear, however, whether this was done deliberately under the influence of Mr al-Suri's exhortations, or out of necessity after al-Qaeda's expulsion from Afghanistan and the arrest or death of several leading figures. At the very least, Mr al-Suri demonstrates considerable prescience.

This biography by Brynjar Lia, a Norwegian expert on the subject, is a welcome addition to a crowded field of books on Islamist extremism. Mr al-Suri comes across as a lone wolf, neither a hard-bitten fighter like Abu Musab al-Zarqawi, the late leader of al-Qaeda in Iraq, nor a religious ideologue, like the jailed Palestinian-Jordanian cleric, Abu Muhammad al-Maqdisi. He casts himself as a military strategist who, unlike other jihadists, embraces secular knowledge and draws on the experience of other guerrilla movements.

His life is emblematic of a breed of itinerant jihadist. He started out fighting the "near enemy", in his case Syria's Baathist regime (he got support from Egypt and then Iraq). After that proved a failure, he joined the fight to liberate Afghanistan from Soviet occupation. He then drifted in the dispersed international *jihadi* milieu until he arrived in "Londonistan".

Gradually, he turned his attention to confronting the "far enemy", the United States. He helped to propagate al-Qaeda's message through a "media bureau" in London, arranging interviews for Western journalists with Osama bin Laden. He returned to Afghanistan in 1997 to work as a media adviser to the

Taliban regime, which he regarded as “the best example of an Islamic state on earth today”.

The most important contribution of Mr Lia's book is the insight he offers into the personal and ideological rivalries in the *jihadi* world (though these may make hard going for a non-expert). It is plain that Mr al-Suri was not enamoured by his fellow militants. He disliked the “erratic actions” being taken by al-Qaeda, which he feared would undermine the Taliban experiment (he was right). He once accused Mr bin Laden of acting like a “pharaoh” and he had little regard for Saudi jihadists in general. Many, in his view, treated the *jihadi* training camps as an adventure playground or as a means of cleansing themselves after having “spent time with a whore in Bangkok”.

Architect of Global Jihad: The Life of Al Qaeda Strategist Abu Mus'ab al-Suri.
By Brynjar Lia.
Columbia University Press; 256 pages; $28.95. Hurst; £27.50

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Espionage

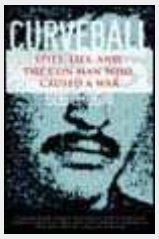
Inventing the dots

Nov 1st 2007
From The Economist print edition

THIS is a book you can imagine Alec Leamas, the miserable spook hero of “The Spy Who Came In From the Cold”, enjoying on the number 11 bus back to his dingy Hammersmith flat. “What do you think spies are: priests, saints, martyrs?” Leamas famously snarled. “They're a squalid procession of vain fools, traitors too, yes; pansies, sadists and drunkards, people who play cowboys and Indians to brighten their rotten lives.”

Plus ça change, apparently. “Curveball” offers a squalid and up-to-date procession of real-life fools, traitors and game-players seeking to brighten their rotten lives. Principal among them is an Iraqi chemical engineer who pitched up in Germany without a visa in 1999. He asked for political asylum and knew that he would greatly improve his chances of getting it if he could make himself interesting to the intelligence services. Which he did. Before long he had their rapt attention, as well as his own code name, Curveball.

Curveball: Spies, Lies, and the Con Man Who Caused a War
By Bob Drogin



Random House; 343 pages; $26.95. Ebury Press; £16.99

Buy it at
Amazon.com
Amazon.co.uk

Bob Drogin, a reporter on the *Los Angeles Times*, relates how over the next couple of years Curveball impressed his interrogators with his detailed knowledge of Iraq's chemical and biological weapons programmes. He spoke at length of such things as mobile laboratories that were being used to cook up lethal bugs. The Americans were desperate to have a look at him too. But the Germans fobbed off their rivals with transcripts and reports, blocking direct access to their prize informer.

Nevertheless, Curveball's story became an important part of the American government's case for invading Iraq. Information taken from his testimony cropped up in the National Intelligence Estimate of October 2002 (which maintained with “high confidence” that Iraq had chemical and biological weapons); in George Bush's state-of-the-union message in January 2003 (which included a reference to “mobile weapons labs designed to produce germ-warfare agents”); and in Colin Powell's presentation to the UN the following month (which featured computer-generated images of those mobile weapons labs, based on descriptions and drawings by Curveball).

But it was all rubbish. Curveball was a low-level drone and borderline nutcase with a gift for telling people what they wanted to hear. In the run-up to the war—despite the doubts expressed by some experts about Curveball's reliability—nobody bothered to check out his story properly. It was not until 2004, a year after the invasion of Iraq, that the CIA admitted that Curveball had foxed them. He “appears to be fabricating in this stream of reporting”, the burn notice read.

Mr Drogin points out that, in the aftermath of September 11th 2001, critics lambasted American intelligence for failing to “connect the dots that might have prevented the terrorist attacks”. What makes the Curveball case so dreadful, he reckons, is that this time they simply invented the dots. “If Curveball fused fact and fiction, others twisted and magnified his account in grotesque ways,” he concludes. “Time and again, bureaucratic rivalries, tawdry ambitions and spineless leadership proved more important than professional integrity.” You can just about hear old Alec Leamas muttering “Told you so.”

Curveball: Spies, Lies, and the Con Man Who Caused a War.
By Bob Drogin.
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The life of Charles Schulz

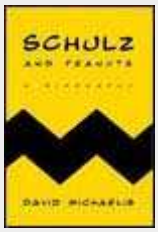
Good grief

Nov 1st 2007
From The Economist print edition

IT WAS always the same old trick. Lucy, smiling innocently, would hold a football for Charlie Brown to kick. For nearly 50 years, she would convince her hapless, moon-faced friend to ignore precedent and trust her. “I'm a changed person,” she would say. But at the very last moment, she would always yank the ball away, sending him flying through the air and on to his back with a thud. A misunderstood boy in a hostile world, Charlie Brown would just sigh. Readers of the “Peanuts” comic strip, who ultimately exceeded 355m, could not get enough of these neurotic, melancholic children.

“Aren't all kids egotists? And brutal?” asked Charles Schulz, the man behind the first mainstream comic strip ever regularly to use the word “depressed”. Schulz acknowledged in 1964 that “maybe I have the cruellest strip going.” But Americans responded to these little characters with big heads, finding humour in their disarmingly spare meditations on loneliness and resignation. “Peanuts” became a $1.2 billion industry and Schulz a national treasure, praised for his simple wisdom and Midwestern sensibility. He drew every one of the 17,897 strips by hand himself.

Schulz and Peanuts: A Biography
By David Michaelis



Harper Collins; 631 pages; $34.95 and £20

Buy it at
Amazon.com
Amazon.co.uk

But Schulz—“Sparky” to his friends—was far more complicated than that, according to a lively, engaging new biography by David Michaelis. Raised in Minnesota, the only child of stoic, uneducated immigrant parents (German and Norwegian), he was an awkward boy and an unhappy man: shy, lonely and haunted by anxieties. He could be witty and kind, but also competitive, righteous, needy and prone to bear grudges. He yearned for approval and assumed he was being rejected. His mother's death, when he was 21, was a loss he never seemed to recover from. “He always felt that no one really loved him,” a cousin observed. “I don't think I can ever be happy,” he announced to his first wife on their honeymoon. (“Good grief,” she surely thought.)

Drawing was his retreat. Despite his insecurities, he knew he was good, and his ambition was to have a comic strip of his own—at a time when the “funny pages” were the country's great popular entertainment. He learned the tricks of the trade through mail-order art lessons. He later became a teacher at the same art school, where he met some of his closest friends (including a bumbling chap named Charles Brown). He spent his 20s living with his father, hunched over his drafting table, collecting rejections from newspapers—and the few women he plucked up the nerve to talk to. Cartooning was a sort of revenge.

Schulz never liked the name Peanuts, which was his syndicate's idea, and he was never especially fond of children. He drew them because “they were what sold”. But these tiny characters were a clever Trojan horse for his more adult themes. The strip, Mr Michaelis writes, “was about people working out the interior problems of their daily lives without ever actually solving them.” “Peanuts” let Schulz harness his melancholy and channel his conflicted feelings.

Though the author never met the man, he had the help of Schulz's family and full access to his papers during his six years of research. But some of Schulz's children (he had five) and his second wife have spoken out against this portrait of a dark and unhappy man. “This was the man I found,” Mr Michaelis responded. “To their children, fathers are always heroes.”

As he was dying of cancer in 2000, Schulz, aged 77, was still talking about getting even with the bullies of his youth. Dictating his final message to his readers, the multimillionaire with hundreds of millions of fans was suddenly filled with bitterness: “You know”, he said, “that poor kid, he never even got to kick the football.” And it wasn't clear whether he was talking about Charlie Brown, or himself.

Schulz and Peanuts: A Biography.
By David Michaelis.
Harper Collins; 631 pages; $34.95 and £20

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The Renaissance in Siena

Saint Catherine's first journey

Nov 1st 2007
From The Economist print edition

An exhibition of Sienese art at London's National Gallery

National Gallery, London

RENAISSANCE Siena was Tuscany's second city, envious of the fame of Florence and keen to show how cultured it was—a relationship much like that enjoyed by Manchester and London in the 19th century or Chicago and New York for the past 100 years or so. Second cities are especially proud of institutions such as the Monte dei Paschi di Siena, a bank founded early in the Renaissance in 1472. It claims to be the oldest bank in the world, which may or may not be the case. But 535 years later it is still in business, and since it has sponsored an ambitious exhibition of Sienese Renaissance art at the National Gallery (open until January 13th 2008), it seems churlish to quibble.

The Sienese have been so anxious to please London that they have permitted Neroccio di Bartolomeo de Landi's iconic 1474 wooden statue of a slender, youthful St Catherine in the Oratorio di Santa Caterina to leave Siena for the very first time (that's her, to the left). The single image from the show that lingers longest is of lovely faces—many of them the Virgin Mary—with prominent noses, small lips, lidded eyes and blonde hair.

The last substantial London exhibit of Sienese Renaissance art was in 1904. Since then, the reputation of Siena's medieval masters, such as Duccio di Buoninsegna and Simone Martini, have blossomed while the standing of their Renaissance successors has slumped. Luke Syson, the National Gallery's curator for the show, frankly admits to “critical distrust, embarrassment and neglect”. He alleges that the Sienese were victims of a Florentine conspiracy by Giorgio Vasari, whose legendary history of Italian Renaissance art largely omits the Sienese. Mr Syson believes this to have been a serious error. His exhibition is intended to rehabilitate Sienese Renaissance painting, to show that it can safely be spoken of in the same breath as Florence's.

The germ of the idea was the successful cleaning of three panels in the National Gallery's collection that tell the Decameron story of the obedient Griselda. Mr Syson thought they looked so splendid that they could form the basis of a whole show. The anonymous artist, who is known only as the “Master of the Story of Griselda”, painted these dazzling panels in the mid-1490s, placing them in an architectural setting populated by men with well-turned ankles, slim-waisted women and their menagerie.

The same painter appears as a contributor to a remarkable set of eight portraits of celebrated classical figures in swanky poses that have been borrowed from no fewer than seven museums: in Washington, DC; Milan; Florence; Birmingham; Budapest; Baltimore and Bloomington, Indiana. Now in the same place, they are shown in two frames (with four portraits in each) that were specially made at the National Gallery. The whole set is a curatorial triumph.

There is a memorable “Expulsion of Adam and Eve from Earthly Paradise” by Benvenuto di Giovanni in which the unhappy couple are unceremoniously escorted out of a rocky paradise by an angel. Adam is anguished; Eve shocked. It is a striking painting but the subject matter is common enough to prompt comparisons with similar works, such as Masaccio's “Expulsion” at the Brancacci Chapel in Florence in which shame and desolation are more deeply expressed. That is a work of genius; the Sienese version is not.

A whole room is dedicated to work by Domenico Beccafumi whose glowing pastel colours, active street scenes and translucent portraits are one good reason for Mr Syson's determination to rediscover Siena. But, in the end, the show cannot elevate Siena's painters to the glories that were achieved in Florence. It is an inventive exhibition and often a pleasure to observe, but it confirms Siena's honourable status as Tuscany's second city.

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Correction: Augustus Caesar

Nov 1st 2007
From The Economist print edition

In our review last week of Lucien Polastron's book on libraries we said that Augustus had destroyed the Alexandrian library in 48BC. Since the lad, then called Octavian, was only 15 at the time, he obviously didn't. And Julius Caesar, who did, hadn't actually meant to. We apologise to Mr Polastron, the many well-educated readers who have complained, and to Augustus, now divine.

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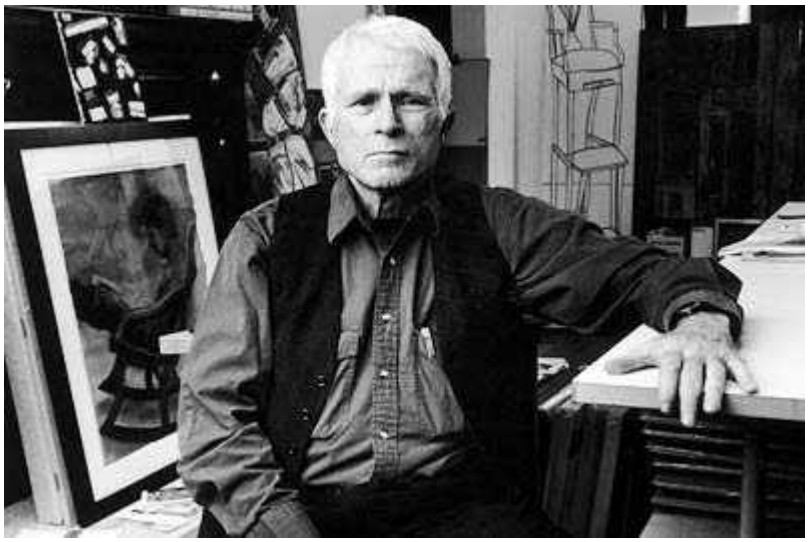
R.B. Kitaj

Nov 1st 2007
From The Economist print edition

Ronald Brooks Kitaj, painter of the human condition, died on October 21st, aged 74

Corbis



WHEN he was very young, Ronald Kitaj ran away to sea. He joined the *SS Corona* bound for Cuba and Mexico, a fresh-faced Cleveland boy who carried his sketchbooks with him and knew, already, that art was all he wanted to do. And as he travelled, he drew. Before long he had lost his virginity in a Havana brothel and had plunged deep into the reeking taverns and alleyways of port life—a life that was to go on resurfacing, in bold, tortured figurative painting, for the rest of his career.

He was restless always. Teaching art in London in the 1960s, he would slip away from his family at weekends to fly to Frankfurt, or Athens, or Amsterdam—anywhere—to stalk the streets, smell the kitchens, take that murky staircase up to the second floor, and draw what he found. He was a compulsive *boulevardier*, haunting cafés and bordellos to catch in his sketchbook the chance meetings, assignations and corner solitudes that made the matter of his pictures. Nothing was settled, nowhere was home, because that state of “unfinish” was also his own condition.

Europe drew him for the art of its past. But he kept an American's forthrightness and tendency to challenge things, and he stayed homesick for America—for baseball fields, far horizons, the melancholy scenes of Edward Hopper—through the long decades in England. London was the place of his fame, where he stood in the 1970s and 1980s beside Francis Bacon, Lucien Freud, David Hockney and Frank Auerbach, and was perhaps the finest draughtsman of any of them; but he felt a refugee and an outsider there. If there was a “London School” of painting, as he controversially declared there was in 1976, he was one of the least social members of it, and at the Royal College of Art, where he taught, he kept his distance from the Pop Art movement he had helped to start.

To put Mr Kitaj in a box was difficult anyway. He liked Surrealism, but mostly for its belief in the primacy of free association and dreams; when he began a picture, he had no idea where it might take him. Cézanne's late canvases of monolithic naked bathers were his favourite style, and one he hoped to grow towards in old age. Like Degas, he rubbed pastels over heavily textured paper; like Hans Memling, he painted portraits in severe vertical panels. He could use paint as thickly and brightly as Gauguin, or brush it as a thin wash over deep, heavy sketches in pit charcoal.

With ceaseless curiosity, he borrowed from the past. As he painted, books lay around him on the floor, especially his treasured collection of the Warburg *Journals* on art history, open to whatever symbol or image might inspire him. However unconnected Mr Kitaj felt to particular countries or to fashions in the art world, he was a secure and unapologetic part of a tradition of figurative painting, of interpreting “sweating people in their inbalance”, that went back over centuries. Abstract art he had little time for; he

worked in a direct line from the painting he “absurdly” most admired, Michelangelo's ceiling of the Sistine Chapel.

Joe Singer on the train

At every point his pictures were informed by words. His early collage canvases included bits of text in his careful, sloping script; later ones had commentaries written to hang beside them, in conscious imitation of T.S. Eliot's notes to “The Waste Land”. Mr Kitaj, a bibliomane and an insatiable reader, knew that literature could do things that art could not. He wanted his paintings to have all the intellectual complexity and modern angst of Ezra Pound or W.H. Auden, and he longed to create in art a figure as memorable as the characters in Dickens or in Tolstoy.

His reliance on texts brought him scorn in England in the end. The critical reaction to his 1994 retrospective at the Tate was so violent—contributing too, he believed, to the untimely death of his second wife, Sandra Fisher—that he left England three years later for Los Angeles, and did not return. It seemed to him that English minds were closed to the possibilities in his work.

The memorable figure he had created in his paintings was not the one he had imagined. For years, Mr Kitaj had been haunted by a sense of “the Other” shadowing him. By the early 1960s, he realised that this Other was his long-ignored identity as a Jew. Jewishness explained everything: his love of texts, his instinctive empathy with themes of blame and persecution, his sense of exile. Gradually, he decided to strive to produce a Jewish art, depicting in paint the fear and dislocation that his idol, Franz Kafka, had encapsulated in words. He would paint, he said, like Cézanne and Degas, but after Auschwitz.

From that point, in Mr Kitaj's paintings, his own symbols began to appear. He drew chimneys smoking, or flues in which figures were trapped; blocked passages, and doors opening on darkness. In one picture, based on Giorgione's La Tempestà, he painted the gatehouse of Auschwitz. Railways took his characters away. One figure in particular rode on these trains: a man called Joe Singer, who had dated his mother before she was married, and who might have been his father if life had been different. Joe Singer sometimes had Mr Kitaj's face; and as he stared from the window, his Homburg low over his eyes, he wore the same expression of endless wandering, with no home before or after.

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Overview

Nov 1st 2007
From The Economist print edition

The **Federal Reserve** cut its target for the federal funds rate to 4.5%. One member of the Fed's rate-setting committee voted to keep rates unchanged at 4.75%.

Other **central banks** followed a different path. Sweden's Riksbank raised its benchmark interest rate by 0.25 percentage points to 4% and said further increases were likely. India's central bank left rates unchanged but raised the cash reserves that banks need to keep with it from 7% to 7.5% of total lending. Central banks in Japan, Norway, Hungary, Poland and Malaysia all kept their key interest rates unchanged.

America's GDP rose at an annualised rate of 3.9% in the third quarter, according to an initial estimate. The stronger-than-expected increase owed much to an improved trade performance, which almost offset the adverse effects on growth of falling housebuilding. The S&P/Case-Shiller house-price index that covers 20 large American cities fell by 4.4% in the year to August.

Consumer prices in **Japan** fell by 0.2% in the year to September. Prices excluding fresh food fell by 0.1% from a year earlier. The unemployment rate rose from 3.8% to 4%.

Consumer prices in the **euro area** rose by 2.6% in the year to October, according to a preliminary estimate, compared with 2.1% in the year to August. The unemployment rate fell to 7.3%. The figure for August was revised from 6.9% to 7.4%, owing to changes to the way Germany's jobless are counted.

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Output, prices and jobs

Nov 1st 2007
From The Economist print edition

Output, prices and jobs

% change on year ago

	Gross domestic product				Industrial production	Consumer prices			Unemployment
	latest	qtr*	2007†	2008†	latest	latest	year ago	2007†	rate‡, %
United States	+2.6 Q3	+3.9	+2.0	+2.2	+1.9 Sep	+2.8 Sep	+2.1	+2.8	4.7 Sep
Japan	+1.6 Q2	−1.2	+2.0	+1.9	+0.8 Sep	−0.2 Sep	+0.6	nil	4.0 Sep
China	+11.5 Q3	na	+11.5	+10.0	+18.9 Sep	+6.2 Sep	+1.5	+4.5	9.5 2006
Britain	+3.3 Q3	+3.2	+2.9	+2.1	+0.7 Aug	+1.8 Sep§	+2.4	+2.3	5.4 Aug††
Canada	+2.5 Q2	+3.6	+2.5	+2.5	+0.2 Aug	+2.5 Sep	+0.7	+2.2	5.9 Sep
Euro area	+2.5 Q2	+1.3	+2.6	+2.1	+4.3 Aug	+2.6 Oct	+1.6	+2.0	7.3 Sep
Austria	+3.5 Q2	+3.5	+3.2	+2.6	+7.5 Aug	+2.1 Sep	+1.4	+1.8	4.2 Sep
Belgium	+2.5 Q3	+1.6	+2.6	+2.1	+4.1 Aug	+1.5 Sep	+1.2	+1.7	11.4 Sep‡‡
France	+1.3 Q2	+1.2	+1.8	+2.0	+2.6 Aug	+1.5 Sep	+1.2	+1.4	8.0 Jul
Germany	+2.5 Q2	+1.0	+2.7	+2.2	+5.2 Aug	+2.4 Oct	+1.1	+2.0	8.7 Oct
Greece	+4.1 Q2	na	+3.8	+3.0	−0.4 Aug	+2.9 Sep	+2.9	+2.6	8.4 Jun
Italy	+1.8 Q2	+0.5	+1.8	+1.5	+3.0 Aug	+2.1 Oct	+1.8	+1.9	6.0 Q2
Netherlands	+2.6 Q2	+1.2	+2.5	+2.2	+2.2 Aug	+1.3 Sep	+1.3	+1.6	4.4 Sep††
Spain	+4.0 Q2	+3.8	+3.7	+2.7	+0.6 Aug	+2.7 Sep	+2.9	+2.7	8.0 Sep
Czech Republic	+6.0 Q2	+5.7	+5.6	+3.0	+5.5 Aug	+2.8 Sep	+2.7	+2.6	6.2 Sep
Denmark	+0.6 Q2	−1.6	+1.7	+1.8	−1.4 Aug	+1.2 Sep	+1.5	+1.7	3.1 Sep
Hungary	+1.2 Q2	+0.2	+2.1	+3.0	+12.2 Aug	+6.4 Sep	+5.9	+7.8	7.2 Sep††
Norway	+3.9 Q2	+3.5	+3.3	+2.6	−0.6 Aug	−0.3 Sep	+2.6	+0.4	2.5 Aug††
Poland	+6.4 Q2	na	+6.5	+5.2	+5.2 Sep	+2.3 Sep	+1.6	+2.1	11.6 Sep‡‡
Russia	+7.8 Q2	na	+7.2	+6.4	+3.0 Sep	+9.5 Sep	+9.5	+8.3	5.7 Aug‡‡
Sweden	+3.5 Q2	+3.7	+3.4	+3.0	+2.4 Aug	+2.2 Sep	+1.5	+1.8	4.2 Sep‡‡
Switzerland	+2.8 Q2	+3.0	+2.6	+2.1	+9.8 Q2	+0.7 Sep	+0.8	+0.7	2.5 Sep‡‡
Turkey	+3.9 Q2	na	+5.2	+5.2	+6.1 Aug	+7.1 Sep	+10.6	+8.5	8.9 Q2‡‡
Australia	+4.3 Q2	+3.8	+4.1	+3.5	+4.6 Q2	+1.9 Q3	+3.9	+2.4	4.2 Sep
Hong Kong	+6.6 Q2	+7.8	+6.1	+4.7	−2.3 Q2	+1.6 Sep	+2.1	+2.0	4.1 Sep††
India	+9.3 Q2	na	+8.0	+7.9	+10.7 Aug	+7.3 Aug	+6.3	+5.9	7.6 2006
Indonesia	+6.3 Q2	na	+6.2	+6.1	+4.3 Aug	+6.9 Oct	+6.3	+6.3	9.8 Feb
Malaysia	+5.7 Q2	na	+6.0	+5.8	+0.9 Aug	+1.8 Sep	+3.3	+2.1	3.4 Q2
Pakistan	+7.0 2007**	na	+6.4	+5.9	+9.3 Aug	+8.4 Sep	+8.7	+6.9	6.2 2006††
Singapore	+9.4 Q3	+6.4	+7.4	+4.9	−2.8 Sep	+2.7 Sep	+0.4	+1.8	1.7 Q3
South Korea	+5.2 Q3	+1.4	+5.0	+4.7	+11.2 Aug	+3.0 Oct	+2.2	+2.5	3.2 Sep
Taiwan	+5.1 Q2	na	+4.3	+4.4	+8.1 Sep	+3.1 Sep	−1.2	+1.1	3.9 Sep
Thailand	+4.4 Q2	+5.2	+4.5	+4.8	+10.2 Aug	+2.5 Oct	+2.8	+2.0	1.2 Jul
Argentina	+8.7 Q2	+8.8	+8.0	+5.9	+0.1 Aug	+8.6 Sep	+10.4	+8.9	8.5 Q2‡‡
Brazil	+5.4 Q2	+3.2	+4.7	+4.5	+6.5 Aug	+4.1 Sep	+3.7	+3.6	9.0 Sep‡‡
Chile	+6.1 Q2	+6.5	+5.8	+5.2	+4.0 Aug	+5.8 Sep	+2.8	+3.9	7.7 Sep††††
Colombia	+6.9 Q2	+4.4	+6.7	+5.6	+7.7 Aug	+5.0 Sep	+4.6	+5.5	10.6 Sep‡‡
Mexico	+2.8 Q2	+5.3	+2.8	+3.1	+2.6 Aug	+3.8 Sep	+4.1	+4.0	3.9 Sep‡‡
Venezuela	+8.9 Q2	na	+6.5	+4.9	+14.1 Jul	+15.3 Sep	+15.3	+18.1	8.4 Q2‡‡
Egypt	+7.2 Q2	na	+7.0	+7.3	+7.5 2007	+9.3 Sep	+9.5	+8.8	9.0 Q1‡‡
Israel	+4.4 Q2	+6.1	+5.3	+4.4	+2.3 Aug	+1.4 Sep	+1.3	+0.4	7.6 Q2
Saudi Arabia	+4.3 2006	na	+4.8	+5.6	na	+4.4 Aug	+1.6	+3.4	na
South Africa	+5.0 Q2	+4.5	+4.7	+5.1	+5.1 Aug	+7.2 Sep	+5.3	+6.0	25.5 Mar‡‡
MORE COUNTRIES Data for the countries below are not provided in printed editions of *The Economist*									
Estonia	+7.6 Q2	na	+7.9	+5.8	+5.8 Sep	+7.2 Sep	+3.8	+6.0	5.5 Aug
Finland	+4.7 Q2	+3.8	+4.6	+2.5	+1.1 Sep	+2.6 Sep	+1.5	+2.7	6.9 Sep
Iceland	+2.5 Q2	+9.1	+1.8	+2.1	+7.6 2006	+4.5 Oct	+7.2	+4.9	0.8 Sep‡‡
Ireland	+5.4 Q2	−5.5	+4.7	+3.5	+10.0 Aug	+4.6 Sep	+4.0	+4.7	4.7 Sep
Latvia	+11.1 Q2	na	+10.0	+7.5	+3.0 Aug	+11.4 Sep	+6.0	+9.6	5.5 Aug
Lithuania	+8.0 Q2	+8.2	+7.8	+6.9	na	+7.1 Sep	+3.2	+5.0	2.8 Sep
Luxembourg	+5.3 Q2	+5.3	+5.0	+3.4	−1.0 Jul	+2.1 Sep	+2.4	+2.1	4.2 Aug‡‡
New Zealand	+3.8 Q2	+3.4	+3.1	+2.9	+0.5 Q2	+1.8 Q3	+3.5	+2.5	3.6 Q2
Peru	+6.5 Aug	na	+7.3	+6.3	+7.0 Aug	+2.8 Sep	+2.0	+1.5	8.0 Aug‡‡
Philippines	+7.5 Q2	+7.1	+6.8	+5.5	−4.7 Aug	+2.7 Sep	+5.7	+2.8	7.8 Q3‡‡
Portugal	+1.6 Q2	+1.9	+1.8	+2.0	+1.0 Aug	+2.1 Sep	+3.0	+2.4	7.9 Q2‡‡
Slovakia	+9.4 Q2	na	+8.0	+6.0	+5.7 Aug	+2.8 Sep	+4.6	+2.7	8.3 Sep
Slovenia	+5.9 Q2	na	+5.6	+4.6	+10.1 Aug	+3.5 Sep	+2.5	+3.0	7.4 Aug‡‡

*% change on previous quarter, annual rate. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. ‡National definitions. §RPI inflation rate 3.9% in Sep. **Year ending June. ††Latest three months. ‡‡Not seasonally adjusted.

Sources: National statistics offices and central banks; Thomson Datastream; Reuters; Centre for Monitoring Indian Economy; OECD; ECB

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The Economist commodity-price index

Nov 1st 2007
From The Economist print edition

The Economist commodity-price index

2000=100

	Oct 23rd	Oct 30th*	% change on one month	% change on one year
Dollar index				
All items	216.3	214.9	−0.9	+16.6
Food	194.2	194.5	−1.1	+32.3
Industrials				
All	244.8	241.2	−0.7	+3.7
Nfa†	170.9	174.0	+5.2	+27.0
Metals	285.2	277.9	−2.6	−2.4
Sterling index				
All items	160.1	157.6	−2.1	+7.6
Euro index				
All items	140.4	137.8	−2.7	+3.2
Gold				
$ per oz	757.00	784.35	+7.6	+29.6
West Texas Intermediate				
$ per barrel	85.25	90.00	+12.2	+53.9

*Provisional †Non-food agriculturals.

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Metals

Nov 1st 2007
From The Economist print edition

It has been a good week for precious metals. Worries over the American economy and the weakness of the dollar have driven gold to a 28-year high of nearly $800 a troy ounce; prices look set to go higher as strong investor demand outstrips new supplies next year. Platinum prices are at a record high. There have been disruptions to output in South Africa, where mines have been closed after accidents. By contrast, our index of base metals has fallen by 13% since May. Rising metal exchange stocks in October have dented prices. Copper stocks are the highest since April. Lead stocks have almost doubled in a month. But tin prices are still rising: China has reduced its tin export quotas for 2008 by 10%.

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Trade, exchange rates, budget balances and interest rates

Nov 1st 2007
From The Economist print edition

Trade, exchange rates, budget balances and interest rates

	Trade balance* latest 12 months, $bn	Current-account balance latest 12 months, $bn	Current-account balance % of GDP 2007†	Currency units, per $ Oct 31st	Currency units, per $ year ago	Budget balance % of GDP 2007†	Interest rates, % 3-month latest	Interest rates, % 10-year gov't bonds, latest
United States	−810.7 Aug	−793.2 Q2	−5.6	–	–	−1.5	4.51	4.47
Japan	+98.1 Aug	+197.5 Aug	+4.6	115	117	−2.6	0.73	1.60
China	+253.4 Sep	+249.9 2006	+10.7	7.46	7.87	0.2	4.05	4.89
Britain	−160.4 Aug	−86.6 Q2	−3.2	0.48	0.52	−3.0	6.22	4.97
Canada	+48.5 Aug	+21.9 Q2	+1.8	0.95	1.13	1.0	3.95	4.31
Euro area	+42.1 Aug	+30.4 Aug	+0.2	0.69	0.78	−0.9	4.60	4.24
Austria	+1.5 Aug	+12.3 Q2	+2.9	0.69	0.78	−0.5	4.60	4.33
Belgium	+17.6 Aug	+13.0 Jun	+2.2	0.69	0.78	−0.1	4.67	4.36
France	−40.8 Aug	−25.8 Aug	−1.2	0.69	0.78	−2.4	4.60	4.35
Germany	+253.1 Aug	+196.9 Aug	+5.4	0.69	0.78	−0.4	4.60	4.23
Greece	−50.5 Jul	−40.9 Aug	−10.5	0.69	0.78	−2.5	4.60	4.54
Italy	−15.0 Aug	−51.4 Aug	−2.4	0.69	0.78	−2.5	4.60	4.52
Netherlands	+49.9 Aug	+53.5 Q2	+7.9	0.69	0.78	−0.6	4.60	4.33
Spain	−124.1 Aug	−125.1 Jul	−9.0	0.69	0.78	1.7	4.60	4.35
Czech Republic	+3.1 Aug	−5.9 Aug	−3.8	18.6	22.0	−4.0	3.58	4.45
Denmark	+4.2 Aug	+4.3 Aug	+1.5	5.15	5.84	3.8	4.80	4.32
Hungary	−1.7 Aug	−6.8 Q2	−5.2	174	203	−6.0	7.39	6.50
Norway	+54.5 Sep	+54.6 Q2	+14.3	5.39	6.47	18.9	5.74	4.83
Poland	−10.5 Aug	−14.6 Aug	−4.3	2.51	3.02	−2.0	5.21	5.49
Russia	+121.6 Aug	+73.5 Q3	+5.5	24.7	26.7	4.0	10.00	6.27
Sweden	+18.3 Sep	+29.7 Q2	+6.9	6.36	7.20	2.8	3.88	4.25
Switzerland	+11.1 Sep	+64.9 Q2	+16.4	1.16	1.24	0.3	2.75	2.92
Turkey	−56.4 Aug	−33.2 Aug	−7.3	1.17	1.45	−2.9	6.38	7.00‡
Australia	−13.6 Sep	−47.1 Q2	−5.7	1.08	1.29	1.4	7.01	6.17
Hong Kong	−20.6 Aug	+24.9 Q2	+9.8	7.75	7.78	1.9	4.68	3.72
India	−65.4 Sep	−9.7 Q2	−1.6	39.3	44.9	−3.3	7.00	8.19
Indonesia	+41.7 Aug	+11.0 Q2	+2.4	9,097	9,103	−1.7	8.09	6.34‡
Malaysia	+28.7 Aug	+27.6 Q2	+13.8	3.34	3.65	−3.2	3.62	4.78‡
Pakistan	−13.8 Sep	−7.1 Q2	−4.5	60.7	60.6	−4.6	9.79	7.92‡
Singapore	+38.5 Sep	+41.6 Q2	+27.4	1.45	1.56	0.3	2.50	2.81
South Korea	+19.7 Oct	+8.1 Aug	+0.4	901	939	0.4	5.34	5.48
Taiwan	+14.6 Sep	+28.3 Q2	+6.4	32.4	33.2	−2.0	2.60	2.77
Thailand	+10.7 Sep	+10.9 Aug	+3.6	34.0	36.7	−1.9	3.55	4.38
Argentina	+10.5 Sep	+7.4 Q2	+2.8	3.15	3.09	1.4	12.69	na
Brazil	+43.1 Sep	+9.0 Sep	+0.7	1.74	2.14	−1.8	11.17	6.16‡
Chile	+24.1 Sep	+8.3 Q2	+5.0	494	526	8.0	5.88	4.98‡
Colombia	−1.6 Jul	−4.8 Q2	−3.0	1,990	2,303	−0.2	8.84	5.88‡
Mexico	−1.2 Sep	−7.0 Q2	−1.1	10.7	10.7	nil	7.45	7.88
Venezuela	+23.8 Q2	+20.4 Q2	+7.2	2,147	2,959	−2.6	11.05	6.55‡
Egypt	−15.8 Q2	+2.7 Q2	+2.3	5.52	5.73	−5.5	6.92	5.39‡
Israel	−9.5 Sep	+7.8 Q2	+3.7	3.96	4.27	−0.5	4.14	5.07
Saudi Arabia	+146.6 2006	+98.9 2006	+23.8	3.74	3.75	19.1	5.00	na
South Africa	−11.0 Sep	−17.4 Q2	−6.3	6.54	7.36	0.5	10.80	8.05
MORE COUNTRIES	Data for the countries below are not provided in printed editions of *The Economist*							
Estonia	−4.1 Aug	−3.1 Aug	−14.7	10.8	12.3	3.1	5.17	na
Finland	+12.5 Aug	+12.6 Aug	+7.1	0.69	0.78	4.2	4.47	4.33
Iceland	−1.9 Sep	−3.7 Q2	−16.9	59.8	67.6	5.3	13.76	na
Ireland	+36.7 Aug	−10.5 Q2	−4.9	0.69	0.78	1.1	4.60	4.31
Latvia	−7.1 Aug	−6.3 Aug	−22.2	0.49	0.55	0.4	11.41	na
Lithuania	−6.5 Aug	−4.4 Aug	−14.5	2.39	2.70	−0.5	6.23	na
Luxembourg	−5.9 Jul	+4.6 Q2	na	0.69	0.78	0.3	4.60	na
New Zealand	−4.4 Sep	−9.2 Q2	−7.9	1.30	1.48	4.8	7.25	6.44
Peru	+8.6 Aug	+2.8 Q2	+1.9	3.00	3.22	0.5	5.00	na
Philippines	−4.1 Aug	+6.4 Jun	+6.4	43.7	49.8	−0.9	6.75	na
Portugal	−23.4 Jul	−18.1 Aug	−8.5	0.69	0.78	−3.3	4.60	4.47
Slovakia	−2.9 Aug	−4.2 Jun	−4.3	23.0	28.4	−2.9	4.08	4.61
Slovenia	−2.4 Aug	−1.4 Jul	−3.0	0.69	0.78	−1.2	na	na

*Merchandise trade only. †*The Economist* poll or Economist Intelligence Unit forecast. ‡Dollar-denominated bonds.

Sources: National statistics offices and central banks; Thomson Datastream; Reuters; JPMorgan; Bank Leumi le-Israel; Centre for Monitoring Indian Economy; Danske Bank; Hong Kong Monetary Authority; Standard Bank Group; UBS; Westpac.

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Markets

Nov 1st 2007
From The Economist print edition

Markets

	Index Oct 31st	% change on one week	% change on Dec 29th 2006 in local currency	% change on Dec 29th 2006 in $ terms
United States (DJIA)	13,930.0	+1.9	+11.8	+11.8
United States (S&P 500)	1,549.4	+2.2	+9.2	+9.2
United States (NAScomp)	2,859.1	+3.0	+18.4	+18.4
Japan (Nikkei 225)	16,737.6	+2.3	−2.8	+0.4
Japan (Topix)	1,620.1	+3.6	−3.6	−0.4
China (SSEA)	6,251.5	+1.9	+122.1	+132.2
China (SSEB, $ terms)	380.5	+2.8	+179.6	+192.4
Britain (FTSE 100)	6,721.6	+3.7	+8.0	+14.7
Canada (S&P TSX)	14,625.0	+3.8	+13.3	+38.8
Euro area (FTSE Euro 100)	1,421.0	+3.2	+11.1	+21.9
Euro area (DJ STOXX 50)	4,489.8	+3.0	+9.0	+19.6
Austria (ATX)	4,871.7	+2.7	+9.1	+19.7
Belgium (Bel 20)	4,441.8	+2.4	+1.2	+11.0
France (CAC 40)	5,848.0	+3.1	+5.5	+15.8
Germany (DAX)*	8,019.2	+2.4	+21.6	+33.4
Greece (Athex Comp)	5,334.5	+2.3	+21.4	+33.2
Italy (S&P/MIB)	40,512.0	+3.1	−2.2	+7.3
Netherlands (AEX)	547.9	+0.8	+10.6	+21.3
Spain (Madrid SE)	1,724.4	+4.0	+10.9	+21.7
Czech Republic (PX)	1,908.3	+1.9	+20.1	+34.8
Denmark (OMXCB)	486.6	+3.2	+14.7	+25.9
Hungary (BUX)	27,382.2	+0.1	+10.2	+21.0
Norway (OSEAX)	595.0	+3.6	+18.4	+36.8
Poland (WIG)	63,126.5	−0.5	+25.2	+45.0
Russia (RTS, $ terms)	2,223.1	+4.7	+8.4	+15.7
Sweden (Aff.Gen)	373.4	+2.1	+2.2	+9.9
Switzerland (SMI)	9,019.6	+1.9	+2.7	+8.1
Turkey (ISE)	57,615.7	+3.6	+47.3	+78.1
Australia (All Ord.)	6,779.1	+1.9	+20.1	+41.8
Hong Kong (Hang Seng)	31,352.6	+6.9	+57.0	+57.6
India (BSE)	19,838.0	+7.2	+43.9	+62.0
Indonesia (JSX)	2,643.5	+4.7	+46.4	+44.7
Malaysia (KLSE)	1,413.7	+4.0	+29.0	+36.4
Pakistan (KSE)	14,319.4	+0.4	+42.6	+42.9
Singapore (STI)	3,805.7	+4.3	+27.5	+35.0
South Korea (KOSPI)	2,064.9	+6.8	+43.9	+48.6
Taiwan (TWI)	9,711.4	+2.8	+24.1	+24.8
Thailand (SET)	907.3	+4.8	+33.5	+42.0
Argentina (MERV)	2,339.1	+3.7	+11.9	+9.0
Brazil (BVSP)	65,317.0	+4.3	+46.9	+80.2
Chile (IGPA)	15,345.8	−1.0	+24.0	+33.8
Colombia (IGBC)	10,630.3	+3.9	−4.8	+7.2
Mexico (IPC)	31,458.7	−1.8	+18.9	+20.3
Venezuela (IBC)	39,173.6	+5.4	−25.0	+16.8
Egypt (Hermes)	82,956.8	+3.5	+35.4	+40.1
Israel (TA-100)	1,189.0	+4.0	+29.0	+37.3
Saudi Arabia (Tadawul)	8,624.5	+5.1	+8.7	+9.0
South Africa (JSE AS)	31,335.0	+4.3	+25.8	+35.6
Europe (FTSEurofirst 300)	1,595.7	+3.0	+7.6	+18.0
World, dev'd (MSCI)	1,682.4	+3.3	+13.4	+13.4
Emerging markets (MSCI)	1,337.6	+5.7	+46.6	+46.6
World, all (MSCI)	427.6	+3.6	+16.3	+16.3
World bonds (Citigroup)	714.3	+0.2	+8.5	+8.5
EMBI+ (JPMorgan)	433.1	+0.9	+6.3	+6.3
Hedge funds (HFRX)	1,358.4	+1.0	+6.5	+6.5
Volatility, US (VIX)	18.5	20.8	11.6	(levels)
CDSs, Eur (iTRAXX)†	38.3	+0.5	+64.1	+80.0
CDSs, N Am (CDX)†	66.3	+0.9	+98.1	+98.1
Carbon trading (EU ETS) €‡	22.3	−0.9	+22.3	+34.2

*Total return index. †Credit-default swap spreads, basis points.

Sources: National statistics offices, central banks and stock exchanges; Thomson Datastream; Reuters; WM/Reuters; JPMorgan Chase; Bank Leumi le-Israel; CBOE; CME; Danske Bank; EEX; HKMA; Markit; Standard Bank

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Competitiveness

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Inventive companies, efficient capital markets and flexible workers make America the world's most competitive economy, according to the World Economic Forum, a think-tank based in Switzerland. Its latest *Global Competitiveness Report* grades 131 countries in 12 categories, including the quality of institutions, infrastructure, innovation and macroeconomic stability. Switzerland, Denmark, Sweden and Germany (with the highest infrastructure score) complete the top five. Singapore, Japan and South Korea are the most competitive economies in Asia, ranking well above China (34th) and India (48th). China loses marks because of a weak financial system. A rigid job market hurts India's ranking.

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